



Looking to the future with confidence

**26th CEO Survey:
Middle East findings**



Foreword

Our annual PwC survey of CEOs a year ago uncovered a high degree of optimism about the prospects for 2022, both in the Middle East and globally, amid signs that the COVID-19 pandemic was finally subsiding: more than three in four CEOs back then said they expected the global economy to improve. What neither we, nor they, could foresee was how quickly the world would change. Far from being the year of resurgent growth, 2022 rapidly turned into a fraught time for companies, marked by a combination of macroeconomic volatility and geopolitical upheaval. Inflation and interest rates rose to their highest in decades, economic growth slowed, and energy security once again became a major global topic - even as some longer-term effects of the pandemic, such as supply chain disruption, lingered on.

Against this background, it's no surprise to find that sentiment among CEOs about the state of the global economy is more sombre. What is encouraging is that CEOs in the Middle East are outliers: while they are less optimistic about the broader worldwide economic situation than they were a year ago, they are far more confident than CEOs in territories elsewhere about their own prospects - both on the regional economy and their own businesses. The survey highlights how regional leaders are moving ahead to “future proof” their companies by diversifying products and services, investing in their core businesses, and - above all - continuing to focus even more heavily than in previous years on digital transformation.

I see this cautious optimism and ongoing forward focus as important harbingers for the future. And I am encouraged this year to note that regional business leaders are getting serious about climate change, with a new emphasis on reducing emissions and innovating around green products and processes. Of course, as a region that is strategically important for the world's energy transition, the Middle East will need to adapt to a decarbonising world and is already taking steps in that direction. The growing awareness of the importance of doing so - and the opportunities that this may bring - is an important finding in this year's survey.

In the coming months, I look forward to working with CEOs to address the key topics of resilience, transformation and climate which stand out in this survey. My thanks go to all the respondents in the region who participated.



Hani Ashkar
Middle East Senior Partner
PwC Middle East





Snapshot on the Middle East findings

Our 26th CEO survey highlights the sharp shift in business sentiment worldwide in the face of macroeconomic volatility, including rising inflation and interest rates and fears of recession, alongside geopolitical tensions from the war in Ukraine. CEOs in the Middle East, like their peers globally, had been strongly optimistic about the short-term global economic outlook a year ago. But our new survey shows how the mood has been upended, with 73% of global CEOs and 82% of CEOs in the Middle East expecting a decline in global growth in the next 12 months.

Putting aside these somewhat bleak expectations for the rest of the world, Middle East business leaders nonetheless remain considerably more upbeat about regional growth prospects and the outlook for their own businesses. An easy majority - 61% - say they expect Middle East growth to improve in 2023, compared with more than half in all other regions that expect a downturn. 63% of CEOs in the Middle East are extremely confident or very confident about prospects for their companies' revenue growth over the next 12 months – almost unchanged from a year ago – and 71% are confident about the outlook for the next three years.

This confidence is tempered by caution, with many CEOs focusing on costs. But they are also looking ahead. Like CEOs business leaders are already diversifying products and service offerings and more than a third of the remainder are considering doing so. Unlike their global peers, they are not delaying deals (76% of regional CEOs are **not** delaying deals compared to 60% globally) or slowing investments (58% versus 44%). And they are building resilience around their supply chains and the efficiency of their costs.

A key focus of investment is on technology, as Middle East CEOs prepare for further and faster digital transformation in the years ahead. In our survey, 84% of respondents in the region said they will invest in automation processes and systems and 66% said they expect to deploy cloud technology, artificial intelligence, and other advanced technology in operations. Improving workforce skills is a critical component of this digital transformation, with 74% of Middle East CEOs saying they expect to invest in reskilling their workforce.

This year's survey also highlights a notable change in mindset with respect to climate change, as CEOs in the Middle East move from thinking about actions to actually taking them. In our survey a year ago, just over one in four regional CEOs had made net-zero commitments. This year, about half are either taking steps to mitigate climate risk or are in the process of doing so. They are both innovating new and climate-friendly products and processes and simultaneously implementing initiatives to reduce their company's emissions.



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Middle East Senior Partner
PwC Middle East

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Key themes for the region for 2023



Staying confident

61% of CEOs in the Middle East remain upbeat about the region's growth prospects for 2023 versus just **21%** in North America and **18%** in Europe on their own respective markets.



Doubling down on transformation

Over half of regional CEOs have already diversified products and services - and a further **37%** say they are considering doing so in the next 12 months. They are also continuing to invest and do deals.



Turbo-charging digital

Last year's survey already highlighted the importance of technology to regional CEOs with more than half planning significant investments in digital transformation over the next three years. This year's findings take it up a notch, with **84%** of regional CEOs expecting to invest in automation processes and systems in 2023.



Acting on climate

About **50%** of Middle East CEOs have either taken steps to mitigate climate risk or are in the process of doing so, both innovating new products and processes to lower carbon footprint and cut emissions.

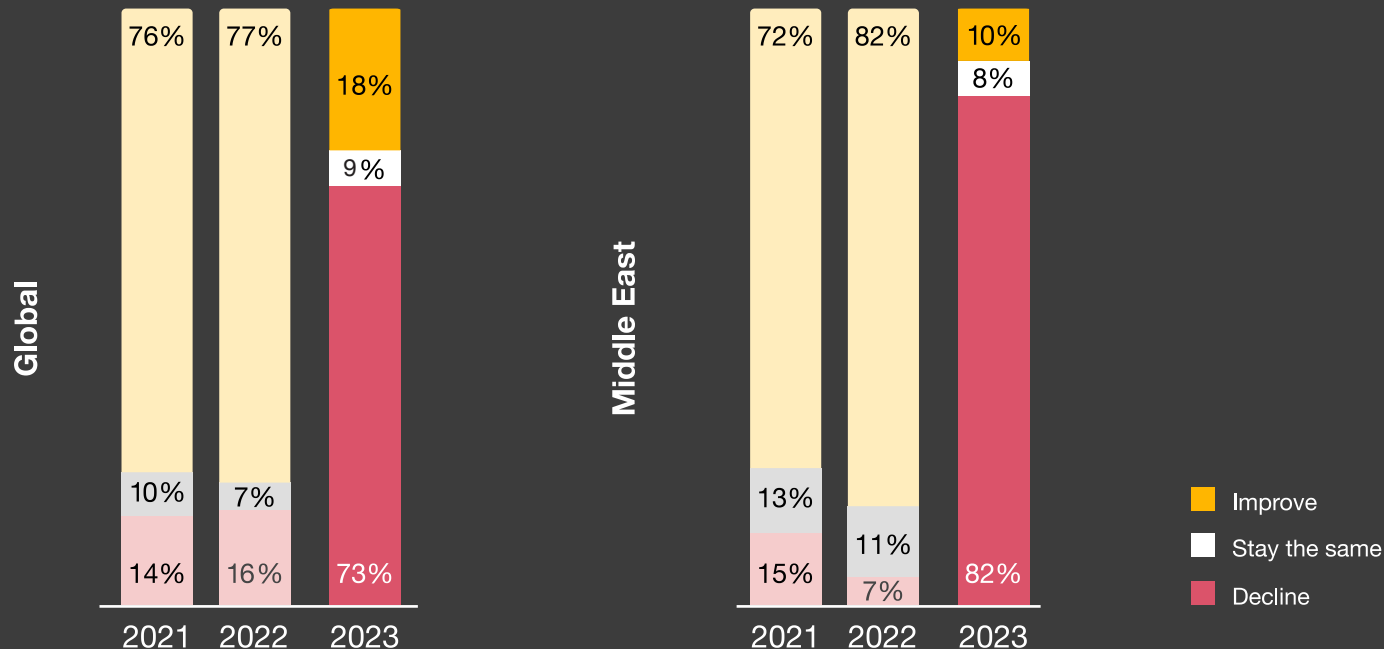


Staying confident on regional prospects in a challenging global context

2022 was a year of shocks, both economic and geopolitical, that dramatically changed the mood for CEOs globally and in the Middle East, alike. The war in Ukraine sparked turbulence in commodity markets, and the global economy was struck by the biggest surge in inflation in decades, prompting central banks to raise interest rates in an attempt to control it. With growth slowing sharply and some regions on the brink of recession, the optimistic mood about global growth that CEOs widely shared a year ago was turned on its head. Globally, 73% of CEOs expect a decline in global growth in the next 12 months - an almost complete reversal from last year, when 77% thought the economy would improve. In the Middle East, the pessimism was even stronger, with 82% of CEOs anticipating a decline in global growth compared with the same percentage that were expecting improvements a year ago.

Middle East CEO's pessimism in global economic growth is high

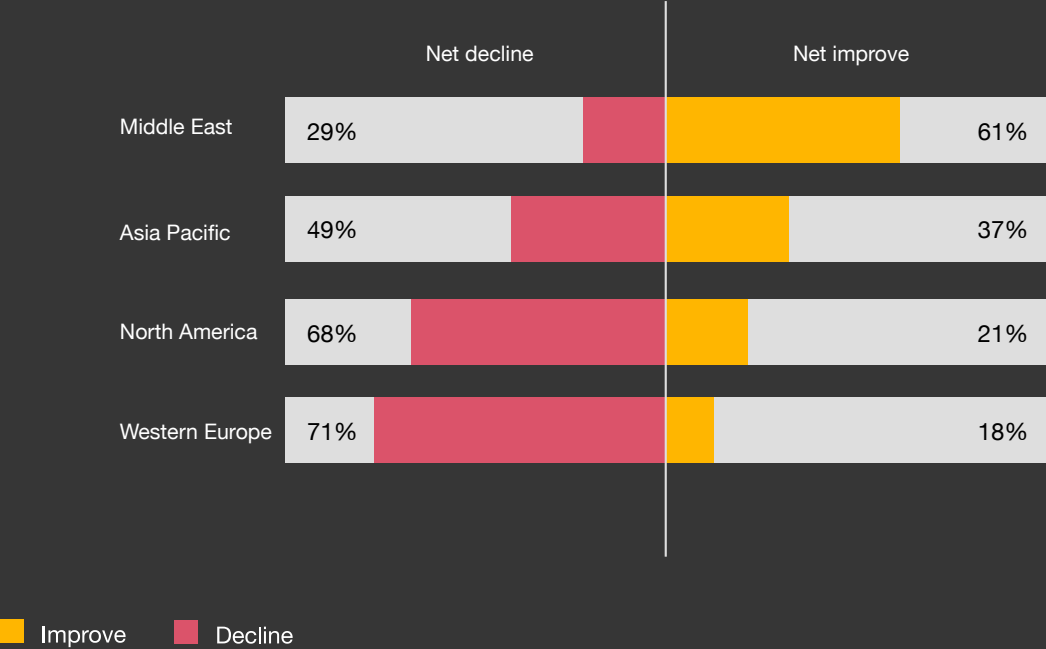
Question: How do you believe economic growth (i.e. gross domestic product) will change, if at all, over the next 12 months in the global economy?



It is important to contrast this pessimism about global growth with a continuing confidence - albeit tempered - about growth prospects in the Middle East. CEOs are not as sure about continued improved growth in the region as they were a year ago, when 84% told us they expected an improvement over the following 12 months. Nonetheless, an easy majority - 61% - remain upbeat about Middle East growth prospects for 2023. To that extent, the region is an outlier, since no other regions surveyed have the same optimistic perspective. In North America, for example, only 21% of CEOs expect improvement in the regional economy in 2023, while in Western Europe just 18% do. In all other regions, at least half the CEOs polled are bracing for economic downturns.

Middle East CEOs are far more confident about economic growth in their own region than their global peers are about theirs

Question: How do you believe economic growth (i.e., gross domestic product) will change, if at all, over the next 12 months in the territory?





This cautious confidence is also evident in relation to the outlook for their companies: Almost two-thirds of CEOs in the Middle East are either extremely confident or very confident about prospects for revenue growth over the next 12 months, almost unchanged from a year ago. And 71% are confident about the outlook for the next three years, only slightly below their responses in the 2022 survey. For both the short and longer term, Middle East CEOs are substantially more confident than their peers globally.

Compared to last year, Middle East CEOs' confidence in their company's growth prospects is almost the same in both the short and medium term

Question: How confident are you about your company's prospects for revenue growth over the next 12 months/next three years? (2022 vs 2023)

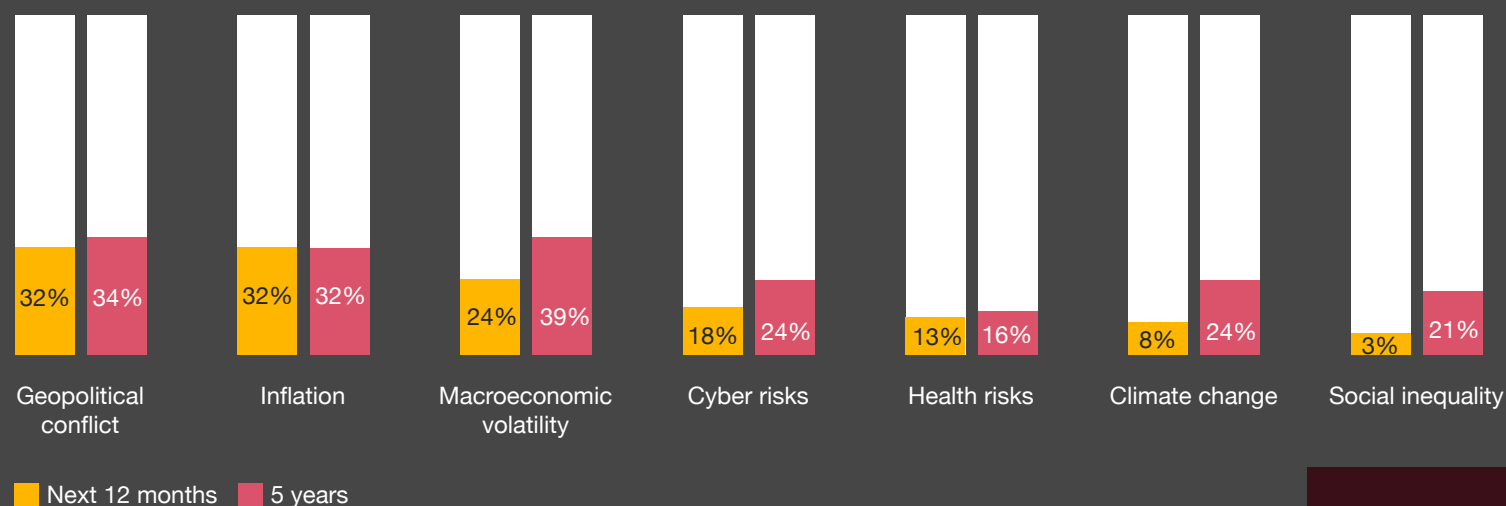


A trifecta of issues is nonetheless keeping Middle East CEOs awake at night. Our latest findings show that the three biggest challenges are their company's exposure to geopolitical conflict, inflation, and macroeconomic volatility. In that regard, they share the same preoccupations as their global counterparts. The absolute inflation rate in the region is significantly below the global average and may have already peaked in Gulf Cooperation Council member countries, according to our analysis - but the issue nonetheless remains a significant preoccupation. By contrast, their concerns about cyber risk, the single largest preoccupation in the 2022 survey, appears to have dissipated somewhat: cyber risk is still cited by one in four CEOs as an area of exposure, but that is less than the share of regional CEOs who named it a year ago as the most significant area of exposure their companies faced. Cyber risk hasn't gone away, of course, but it has been eclipsed by the broader, troubled context.

This chart highlights a nuanced view between the threats today and the threats over the next five years, with macroeconomic volatility and climate change pinned as concerns that will only grow in the medium term. We will come back to climate change later on in this report, since this year's survey suggests that regional CEOs are now not just worried about it but are ramping up the actions they are taking to address it.

Exposure to risks from geopolitical conflict, macroeconomic volatility, cyber risks, social inequality, health risk & climate change is higher in the medium-term

Question: How exposed do you believe your company will be to the following key threats in the next 12 months & the next five years?





Transforming business to ensure long-term viability

The bigger question is what difference the changed international economic context will make to the decisions Middle East CEOs are taking and will continue taking over the next 12 months. Our survey again underscores the outlier status of the region: while their peers globally are inclined to retrench or have already started doing so – with as many as four in 10 worrying that their organisations will not be economically viable in 10 years' time if they continue on their current course – CEOs in the Middle East are actively preparing for a more dynamic period ahead. This is marked by transformation to strengthen their longer-term resilience. A clear majority – more than half – are diversifying products and service offerings or considering doing so (37%), and regional leaders are actively looking for alternative suppliers – distinctly more so than CEOs globally.

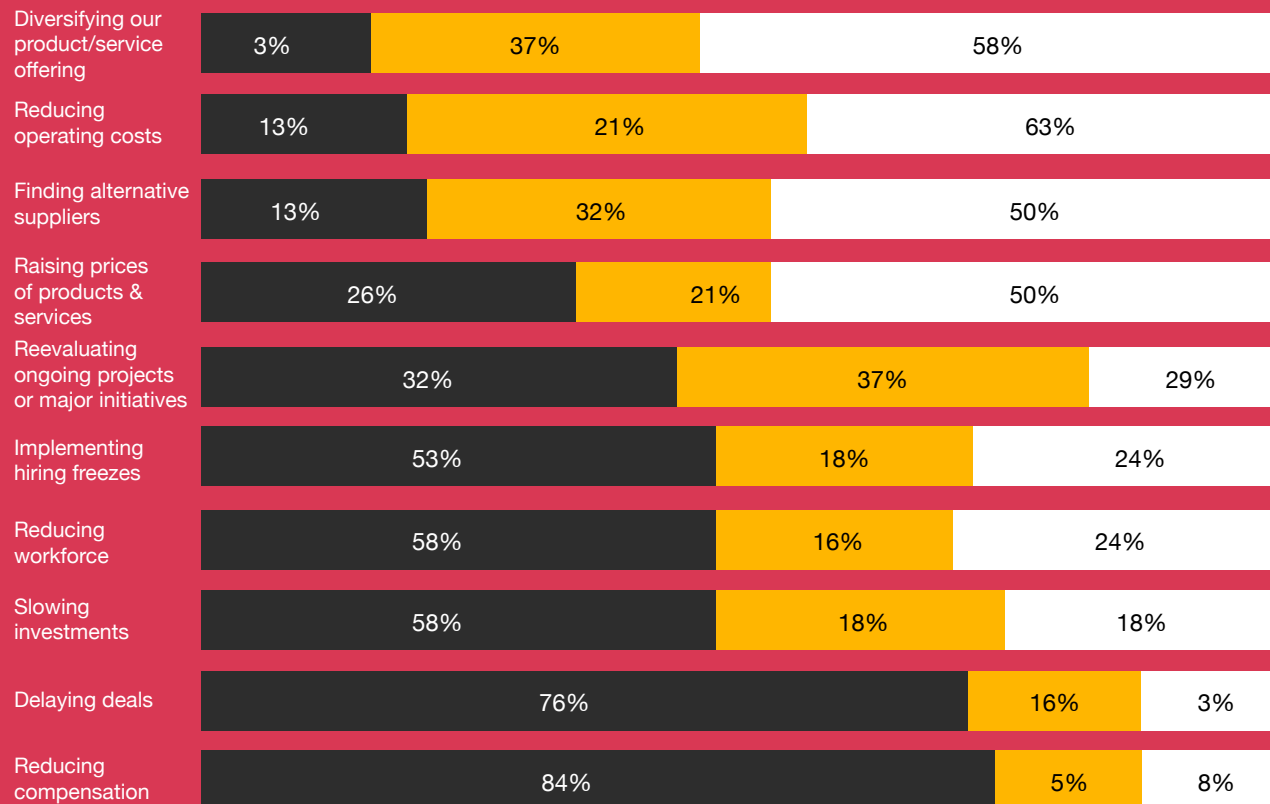
At the same time, it is interesting to note what regional CEOs are **not** doing: again, unlike their global peers, they are not slowing down on investments (58% are not curbing investments in the Middle East compared to 44% globally) or delaying deals (76% are not doing this in the Middle East versus 60% globally). Their answers, nonetheless, show that the continued optimism is tempered by caution, with 71% looking to push through price increases and 84% seeking to reduce operating costs, a level on par with the global average. Hiring and retaining talent and improving workforce skills in a tight labour market are also important items on their agenda, and Middle East CEOs overwhelmingly say they are not planning to reduce staff compensation.



CEOs in the Middle East are actively preparing for a more dynamic period ahead, marked by transformation to strengthen their longer-term resilience.

In the face of economic downturn, Middle East CEOs are diversifying products, reducing operating costs & finding alternative suppliers

Question: What actions, if any, is your company considering to mitigate against potential economic challenges and volatility in the next 12 months?



We do not plan to do this
 We are considering this in the next 12 months
 We are already doing this/have done this

Your next move:



Further investment is critical, but don't lose sight of cost control as the global economic context gets harsher.



Attracting and retaining talent needs to remain a key focus for the years ahead. Is your company culture attracting the right people?



Supply-chain disruptions are here to stay. How resilient are your procurement capabilities?

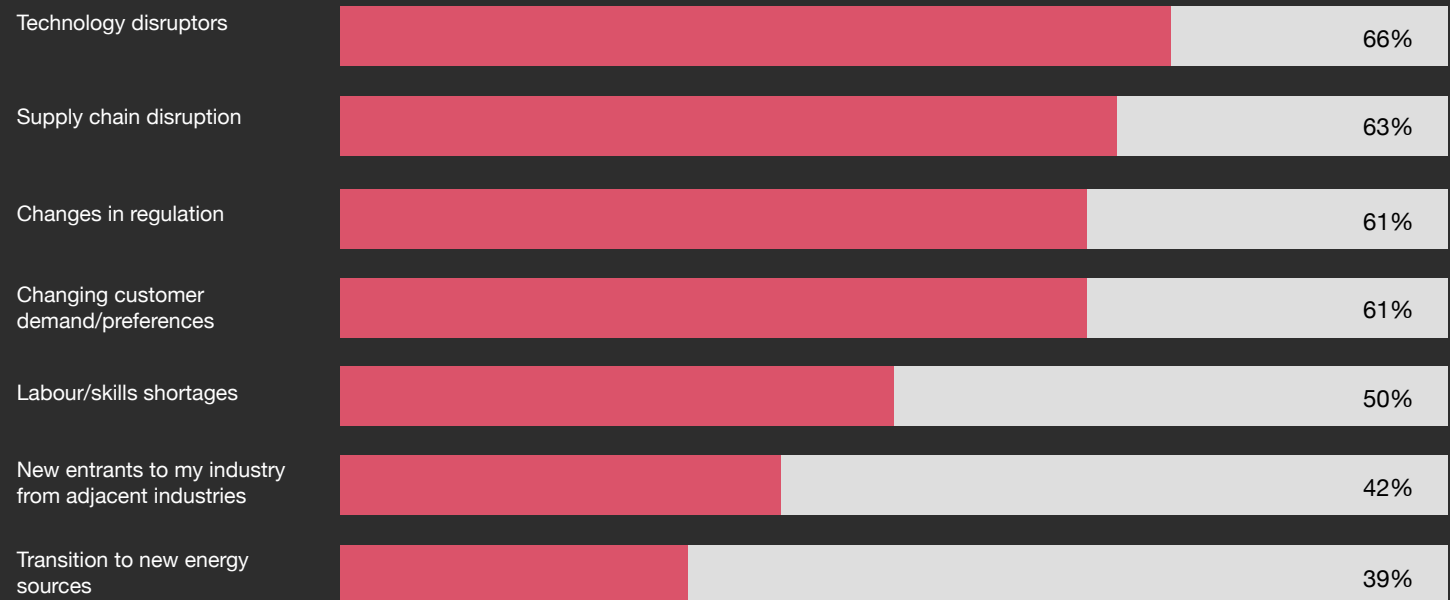


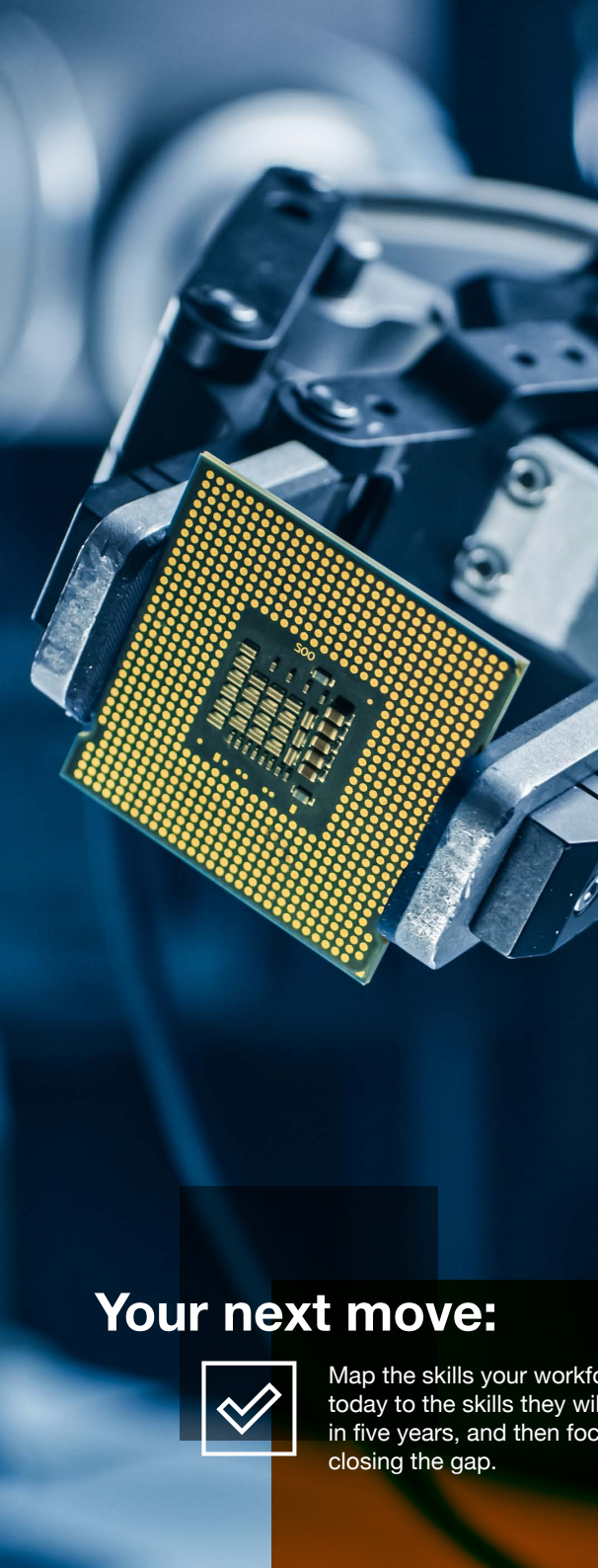
An even stronger investment focus on digital transformation

Alongside continued confidence, another major theme that emerges from our 26th CEO survey is the clear focus on digital transformation among business leaders in the Middle East. Already last year, this trend was apparent, with technology being cited as the critical priority. This year, that chorus grew with technological disruption heading the list of issues Middle East business leaders believe will affect their industry's profitability over the next decade, cited by two-thirds of CEOs. It edges out three other significant concerns: supply chain disruption, changes in regulation, and changing customer demands or preferences. The focus on technology as the largest potential disruptor singles out the Middle East region, given that at a global level, just under half of CEOs are seeing it as being a significant factor for their industry over the next decade.

More than half of Middle East CEOs believe tech & supply chain disruptions will have the biggest long term impact on their industries

Question: To what extent do you believe the following will impact (either increase or decrease) profitability in your industry over the next 10 years?



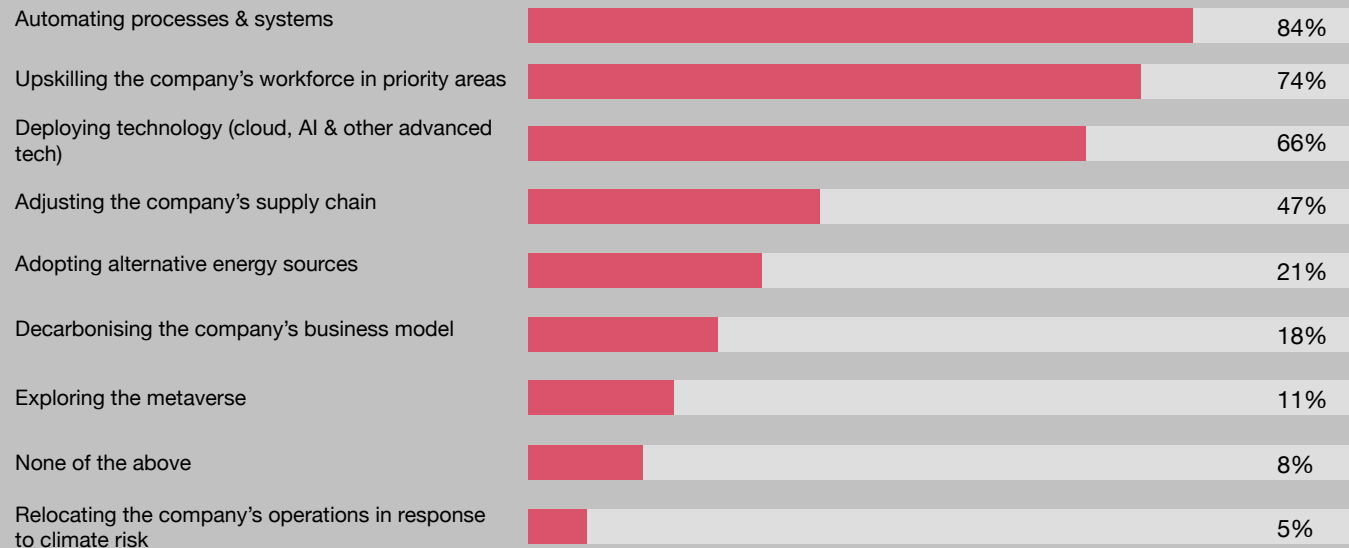


What does this focus on technology mean in practice? In the Middle East, it means a pronounced emphasis on investment in automation processes and systems, which 84% of regional CEOs surveyed cited. This investment in automation will be accompanied by investment in raising workforce skill levels (74%) and in deploying cloud technology, artificial intelligence, and other advanced technology in operations (66%). The workforce reskilling focus is very much in sync with what employees want: our latest global workforce ‘**Hopes and Fears**’ survey showed that more than half of Middle East respondents said their job required some level of specialised training, and those who received this training said they found it to be empowering.

Other technologies that are catching CEOs’ attention include the metaverse. Whilst only a relatively small number – just over one in 10 – say they expect this to be part of their investment this year, serious regional government focus makes it likely that we will see this number increase significantly in the coming years. In July 2022, the UAE unveiled a metaverse strategy that aims to create 40,000 jobs and add \$4 billion to the economy in the next five years. In Saudi Arabia, the futuristic \$500 billion city, NEOM, has embedded an immersive metaverse experience that is helping inform its construction and offers architects, designers, engineers and others the opportunity to work collaboratively and personalise aspects for real estate clients.

The majority of investments are geared towards technology & upskilling people in support of tech

Question: Which of the following investments, if any, is your company making in the next 12 months?



Your next move:



Map the skills your workforce has today to the skills they will need in five years, and then focus on closing the gap.



Even if you can't see the relevance of the metaverse for your operations, keep your eye on the next internet generation — Web3 — as it has the potential to prove disruptive across sectors.



Understand that automation's power is as much about raising scale and increasing speed as it is about substituting human labour.

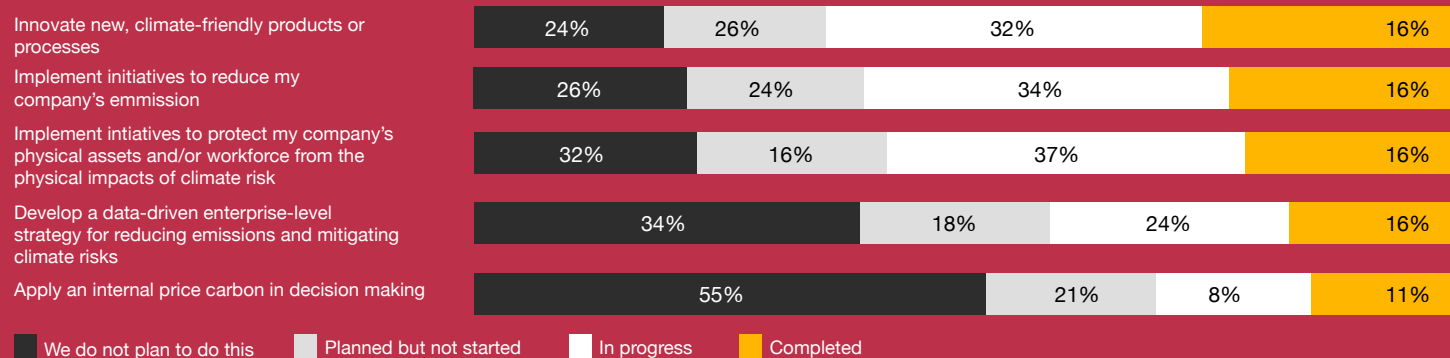
Taking action to mitigate climate risk

A final theme that emerges from this year's CEO survey is a new mindset among business leaders in the Middle East when it comes to climate change. In our 2022 survey, there were already signs that CEOs in the region were seriously thinking about climate change as an issue with substantial operational implications. Overall, just 14% back then featured greenhouse gas emissions targets in their long-term corporate plans, and more than 60% had not made any net-zero or carbon neutral commitments. The picture looks quite different this year, at a time when governments across the Middle East have committed to meeting net-zero targets and when major private-sector companies in the region, including Saudi Aramco, have made announcements about large-scale climate tech investments. The COP27 summit in Egypt in November 2022 may have also focused minds on the risks of unchecked increases in global temperatures, especially in a region already particularly vulnerable to the effects of climate change. And COP28 in the UAE in 2023 will likely accelerate this momentum.

This year's survey demonstrates that the story has moved on - from talk and reflection to action. About half of Middle East CEO respondents in our latest survey have either taken steps to mitigate climate risk or are in the process of doing so. The action is two-fold: they are innovating new and climate-friendly products and processes and they are simultaneously implementing initiatives to reduce their company's emissions. So far, only a small proportion of CEOs both in the region and globally are taking the more radical step of applying an internal price on carbon to their decision making - and indeed, in some places, they are facing investor backlash if their environmental, social, and governance (ESG) agendas affect returns. But the new-found activism of Middle East CEOs to adapt what they produce, and how they produce it, reflects growing awareness about the risks everyone faces.

Middle East CEOs are mostly implementing initiatives to reduce emissions & to innovate new, climate-friendly products

Question: Below is a list of actions companies may undertake to prepare for the risk of climate change. Which statement best characterises your company's level of progress on these actions?



Your next move:



ESG reporting is here to stay. Do you have the in-house expertise to do it across all your operations?



Setting an internal carbon price could be an eye-opener and help speed your company's transition to net-zero emissions



Climate is just one aspect of a growing corporate focus on natural capital. Do you know how to measure your environmental footprint in relation to nature?

Middle East CEOs and the energy transition

For a region as invested in fossil fuel as the Middle East, only two in five CEOs in the region cited the transition to new energy sources as likely to have a significant impact on their industry over the next decade. This may reflect a quiet confidence that oil and gas will remain key components of any energy transition - and that the Middle East can build on its expertise in hydrocarbons and its low-cost renewables to remain a key energy hub for the world.





Our annual PwC survey of CEOs around the world is a snapshot in time that can give important indications about what to expect in the coming year. The view from the Middle East is a far more confident one than the global average, suggesting that businesses in the region expect to avoid the sharp slowdown many other regions are anticipating.

We see the longer-term outlook as the more important finding: regional business leaders are single-minded in their focus on transforming their businesses to ensure their resilience in the face of global economic and geopolitical volatility and concerns around longer-term viability. A key pillar of this strategy centres around technology; investing in technology to bring new efficiencies to their businesses and open new opportunities - with a new-found sustainability mindset. Regional leaders are more mindful of the importance of strengthening supply chains and improving their cost efficiency to ensure fit for the future resilience.

In an otherwise difficult time for the world economy, Middle East CEOs are shining a beacon of confidence for 2023, giving us a tangible glimpse into how they will navigate the complexities of the months and years ahead and how this will shape the economies in which they operate.

About the survey

PwC surveyed 4,410 CEOs in 64 countries and territories from 4th October - 11th November 2022. The global and regional figures in this report are weighted proportionally to country or regional nominal GDP to ensure that CEOs' views are representative across all major regions.

Not all figures in charts will add up to 100% as a result of rounding percentages and the decision in certain cases to exclude the display of "neither/nor," "other", "none of the above", and "don't know" responses.

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