
Press Release

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The Middle East is at the epicentre of five Megatrends that are transforming our world, PwC finds

Demographic and social change, shift in global economic power, rapid urbanisation, climate change and resource scarcity, and technological breakthroughs to dictate and shape the future of the region

Dubai, UAE, 2016 – PwC, one of the world’s largest professional services firms in the region, launched its first-ever regional megatrends report entitled *Middle East Megatrends: Transforming our region*. The report explores the profound changes that are disrupting and reshaping the region’s economies, society and industries, compounded by the urgency caused by the sharp drop in oil prices. The report’s insights, a result of conversations between PwC and its clients across the region and beyond, have been distilled down into five global shifts or *Megatrends* that the firms says are already having a major impact on the Middle East, and whose impact, it believes, will continue to be felt over the coming decades. The report aims to foster a debate amongst thought leaders, businesses and governments in the region about how these megatrends are reshaping the economic and commercial landscape in the Middle East and guide discussions on what can be done to successfully navigate these transformative changes in the years to come.

According to PwC, understanding these key structural megatrends is vital to gain a clear and collective understanding for how to successfully tackle the challenges the Middle East faces and to uncover opportunities that may have never been considered in the past:

- **Demographic and social change** has driven both prosperity and instability in much of the region, as explosive population growth has boosted economies, strained resources and raised the spectre of youth unemployment. The Middle East has led the emerging market population boom in the past decade. This means that the region is young, with 40% of its people under 25; but it is also a region with one of the highest youth unemployment rates in the world, standing at 28%. Population in the Middle East is expected to rise by almost 50% over the next 25 years – at a rate faster than that of India, however its age pyramid will shift by 2050, with far more elderly nationals in the GCC (20%) than the expected world average (16%). Leveraging young people’s brain power and capabilities has therefore become vital for economic prosperity.
- **Shift in global economic power** has placed the Middle East firmly in the middle of the world’s fastest-growing markets and allowed Dubai in particular, to turn itself into a global hub for aviation, tourism and logistics. Through Dubai International Airport, the city has also turned itself into a key link, connecting the economies of the East and the West and placing the UAE within a four-hour flight of 40% of the world’s population.
- **Rapid urbanisation** is transforming nations worldwide, yet the Middle East region remains one of the most highly urbanised in the world. And with new cities under construction, this level continues to rise – making it a struggle to develop sufficient infrastructure to cope with this population explosion. However, the years of sky-rocketing population expansion are now almost behind us, with focus shifts today making urban spaces function optimally, as evidenced by the public transport build-up in Dubai, or in the development of new cities such as King Abdullah Economic City in Saudi Arabia and plans for a new capital city East of Cairo. This, PwC says, reflects the \$4 trillion opportunity of projects planned or under construction in the Middle East and North Africa.



- **Climate change and resource scarcity** is today more than ever, a pressing issue for the Middle East. And changing the way humans use the planet’s resources will impact GCC countries more than most, given that GCC countries are among the world’s highest consumers of energy and water per capita. Water in particular, will become a significant challenge in the coming decade, with the GCC already relying on desalination for 70% of its water and water consumption being forecast to grow by one-third by 2020.
- **Technological breakthroughs**, however, could be part of the answer to these issues, but the disruption that digitalisation is bringing to today’s organisations also requires new skills that are in short supply in the Middle East. The Middle East has many of the right ingredients to benefit from new technologies, with young, tech-savvy populations in countries like Saudi Arabia ranking fourth globally in active Twitter usage, and the UAE reaching 78% smartphone penetration. However, most companies and government entities are struggling to develop digital strategies and are lagging in terms of digital innovation, R&D and the development of new technologies. R&D expenditure in Saudi Arabia and the UAE for example, is still below 1% of GDP – well behind European averages and far behind the world’s biggest R&D spenders such as South Korea, whose R&D spend stands at 6% of GDP.

Commenting on the release of the report, **Hani Ashkar, PwC Territory Senior Partner, Middle East, said:** “This seminal report comes at a very important time as our region finds itself in flux. The Middle East today sits at the epicentre of megatrends that are reshaping our world; our ‘new normal’ era of low oil price and squeezed liquidity has therefore created the impetus for urgent action and that is something we wish to come through loud and clear in this report.”

He added: “While it is true that the urgency of the transformation currently underway is a reaction to the sharp drop in oil revenues, the direction of change – and its complexity – is an inevitable response to these multiple global forces. By helping our partners in the government and private sectors alike understand this broader context, we can ensure they are armed with all the tools necessary to make this transformation a success.”

Meanwhile, **Stephen Anderson, Middle East Clients and Markets Leader noted:** “Governments know they need to cut subsidies, expand their fiscal base and bring private investment and corporate practices into state entities. But they also know they need to keep building infrastructure and enable technology and innovation. Governments and businesses alike can translate an understanding of these megatrends into practical guidelines for future strategy and through this report’s insights, we hope to enable them to do just that.”

“From transportation to energy, healthcare to manufacturing, changes of this magnitude can unveil unforeseen threats and challenges. By fostering a deep understanding of the undercurrents shaping society and businesses in the Middle East, PwC supports its partners in the government and the private sectors to manage these changes and seize all opportunities that arise.” he ended.

For more details and insights on the impact of these megatrends, the full report is available here, along with illustrations and country reports (coming soon): <http://www.pwc.com/m1/en/issues/megatrends.html>

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