

The New Equation

Transforming our region

Webcast series

Tuesday, 21 February 2023



Agenda



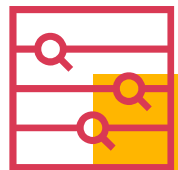
Welcome



Economic update



Moonshot MENA



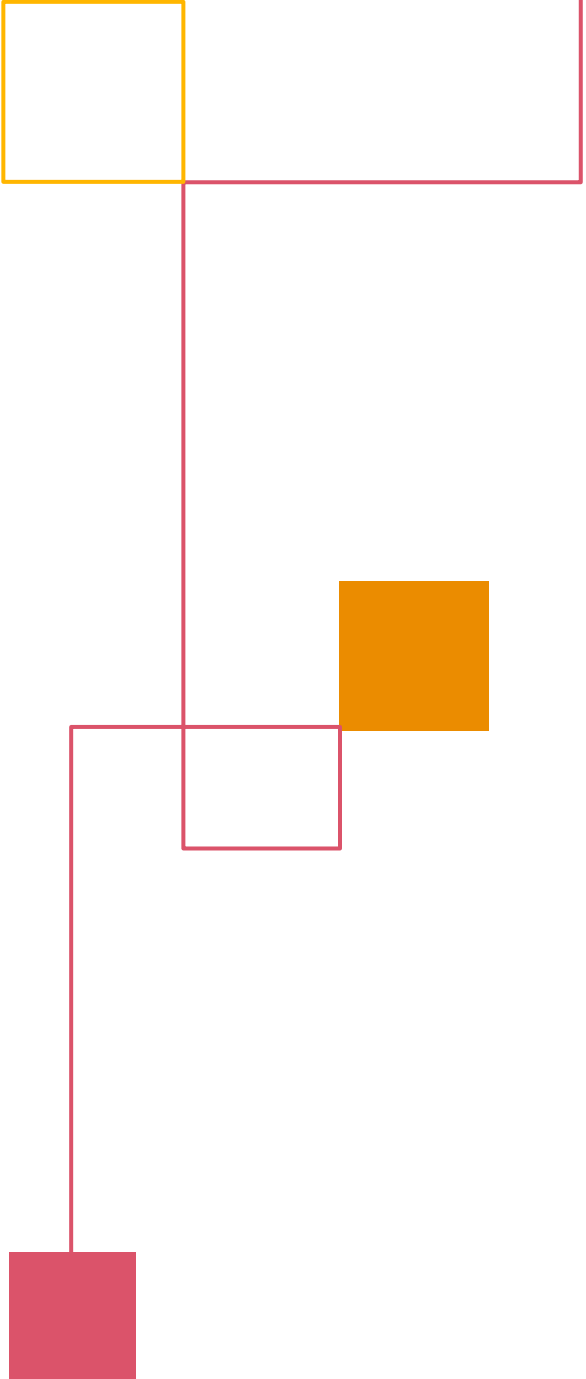
SALM platform insights

Stephen Anderson
Strategy Leader
PwC Middle East

Richard Boxshall
Chief Economist
PwC Middle East

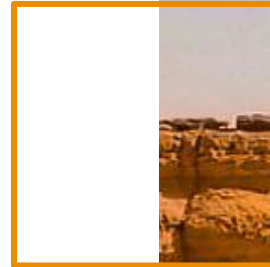
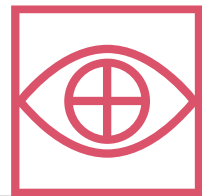
Yahya Anouti
Middle East ESG Lead
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Welcome

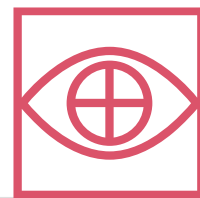
Stephen Anderson
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Markets Leader



01

Economic update

Richard Boxshall
PwC Middle East
Chief Economist



02

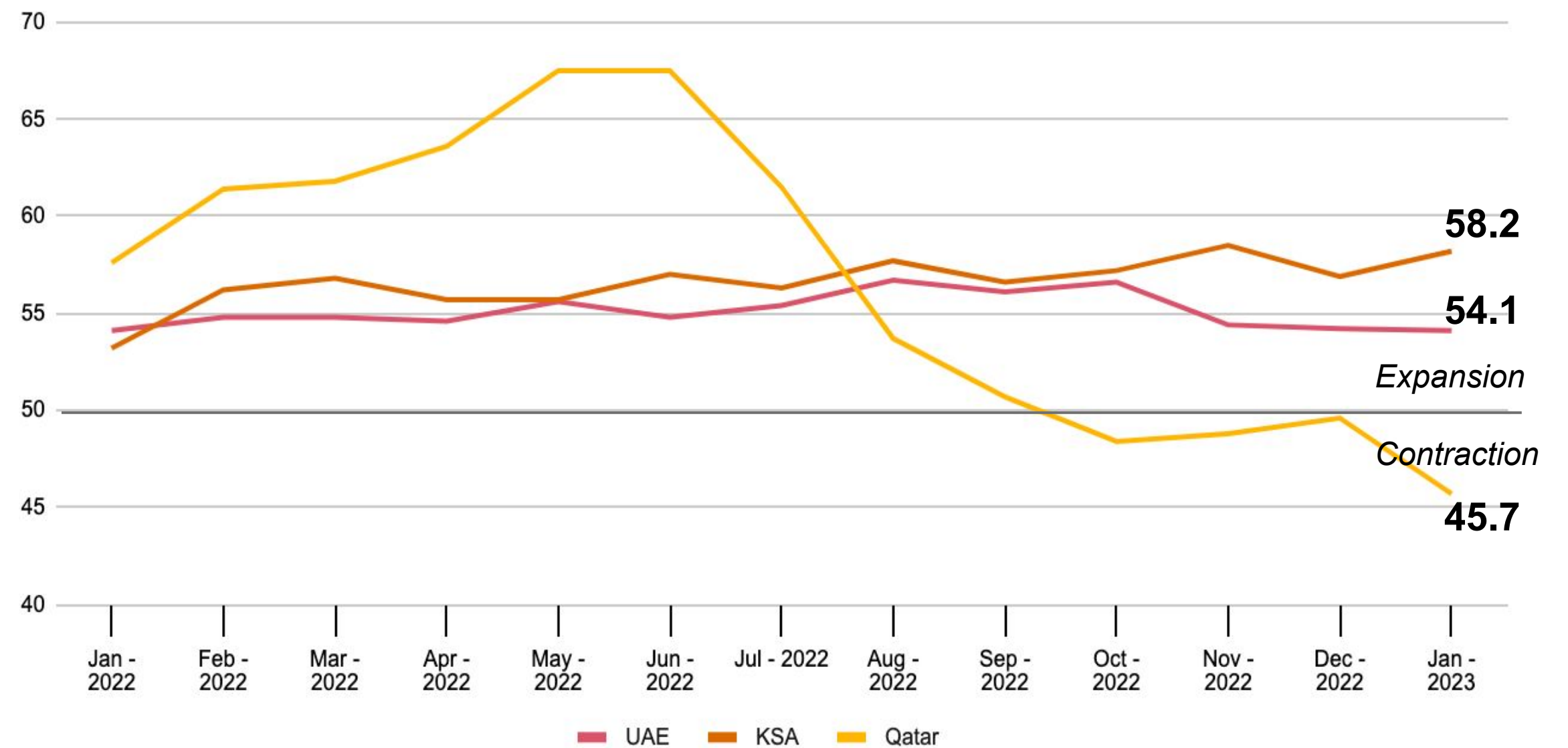


Economic Update

Regional business activity maintained going into 2023

- UAE and KSA continue to expand
- Qatar business conditions cool down following the FIFA World Cup

Purchasing Managers' Index (PMI) in Qatar, KSA, and UAE

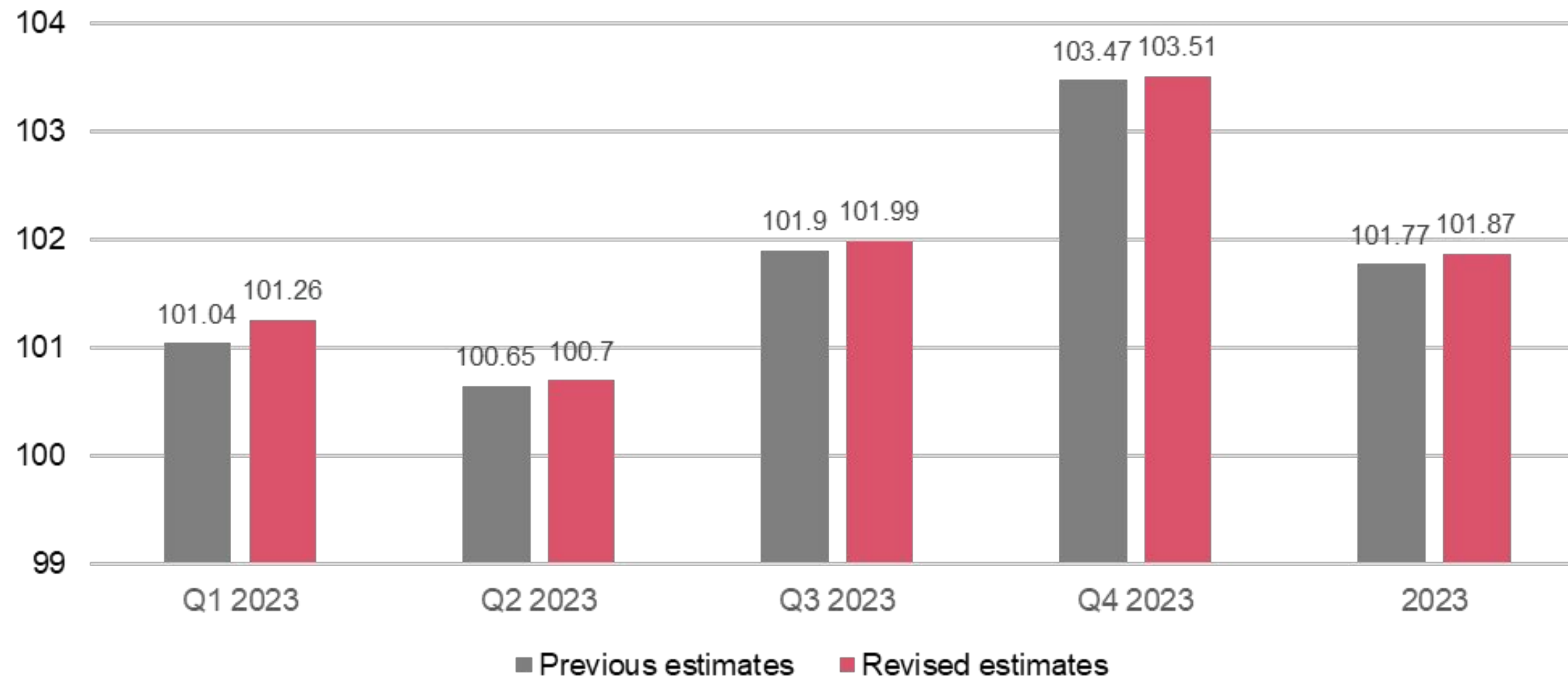


Source: S&P Global

Economic Update

Oil market conditions

Forecasted World oil demand in 2023, mb/d



- OPEC raises 2023 global oil demand growth forecast to 2.3 mb/d

Source: OPEC

Economic Update

Expected interest rate path

Global inflation is expected to fall from 8.8% in 2022 to 6.6% in 2023

Fed Officials signal additional interest rate hikes are needed this year to contain inflation

Rates are expected to peak at 5.25%- 5.5%

Source: IMF; Reuters; Goldman Sachs; Bank of America

Moonshot MENA

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MOONSHOT MENA

Making The Middle East
The New Cradle Of Innovation



**WORLD
GOVERNMENT
SUMMIT 2023**

in collaboration with

strategy&
Part of the PwC network

What are moonshots?

Breakthrough, radical technological solutions to 'wicked' systemic challenges. Moonshots can be reactive, proactive, or aspirational.

Pfizer Covid-19 vaccine



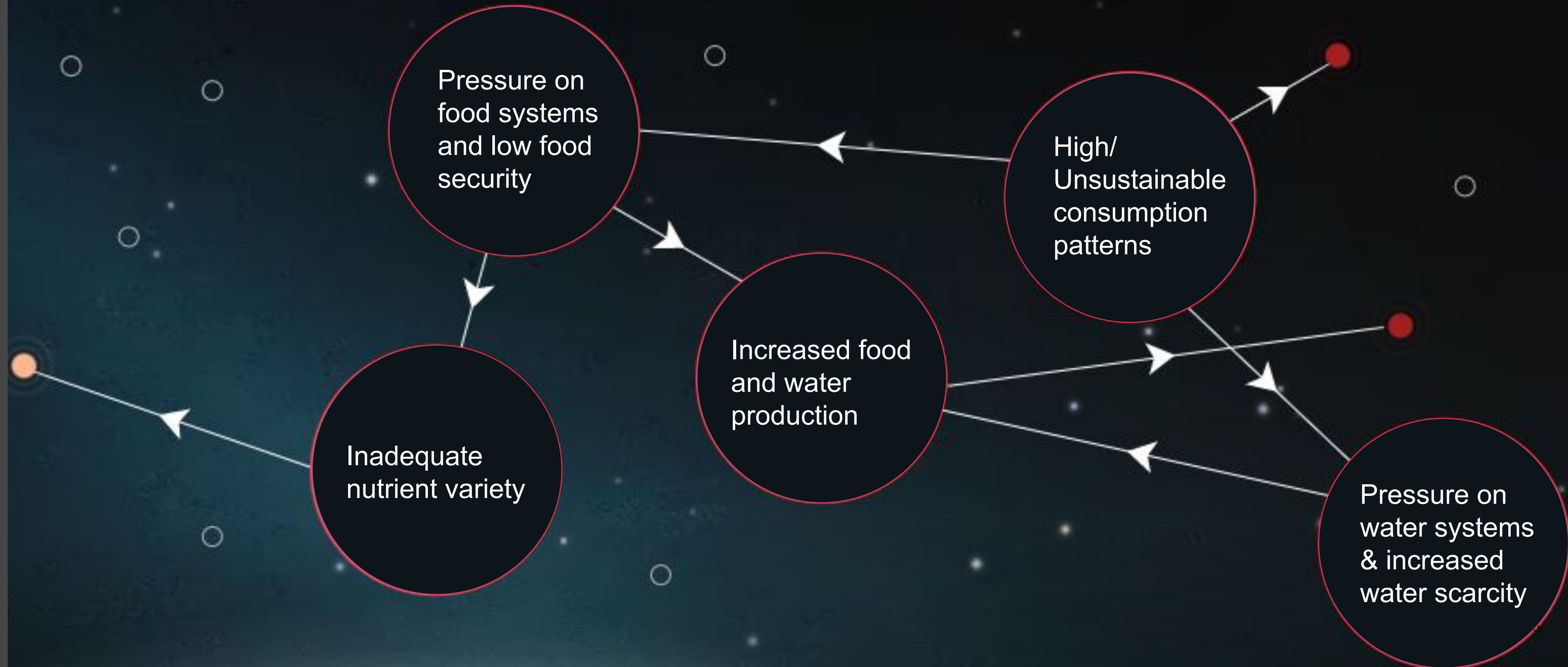
X factory autonomous vehicles



NASA Apollo mission



Moonshot MENA – a call to address ‘wicked’ challenges ...



... and realize missions of epic ambitions

Rehumanize society



By 2040, rethink social norms to eliminate social inequalities and achieve social cohesion

Redefine the economy



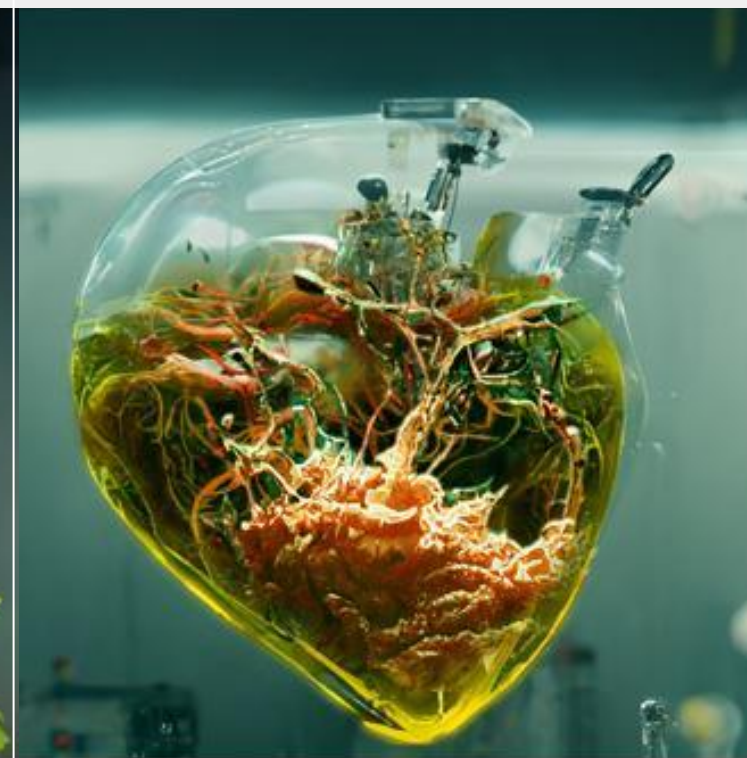
By 2040, redefine wealth and value to make economies more inclusive

Reach resource equilibrium



By 2040, rethink social norms to eliminate social inequalities and achieve social cohesion

Reinvent healthcare



By 2040, enable every person to lead a healthier life and live five years longer

Rethink space



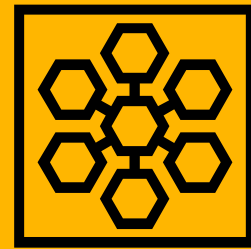
By 2040, build 50 cognitive net positive cities

Four paradigm shifts to realize moonshots

So, what do we need to make **Moonshot MENA** a reality?



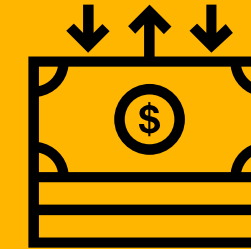
Mindset shift



Governance shift



Capabilities shift

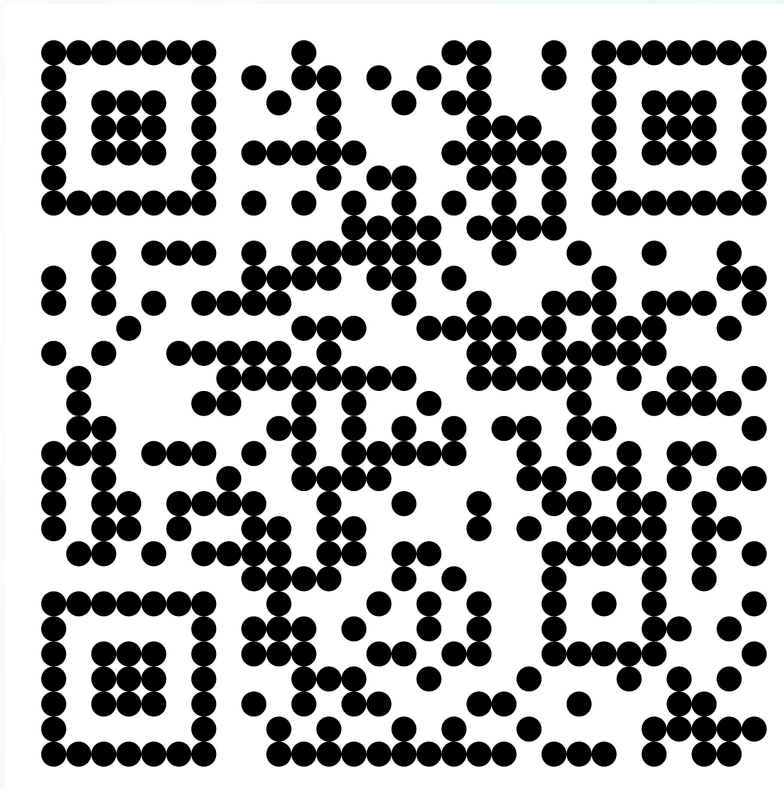


Funding shift

- From incremental to **moonshot exponential thinking**
- From siloed-initiatives to **cross-border governance**
- From sourcing talent to **building a talent ecosystem**
- From project-based to **scalable, long-term funding**

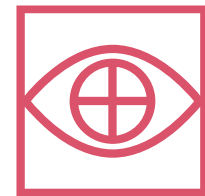
Moonshot MENA - Learn more

Explore **#MoonshotMENA**
and download the report



The SALM framework

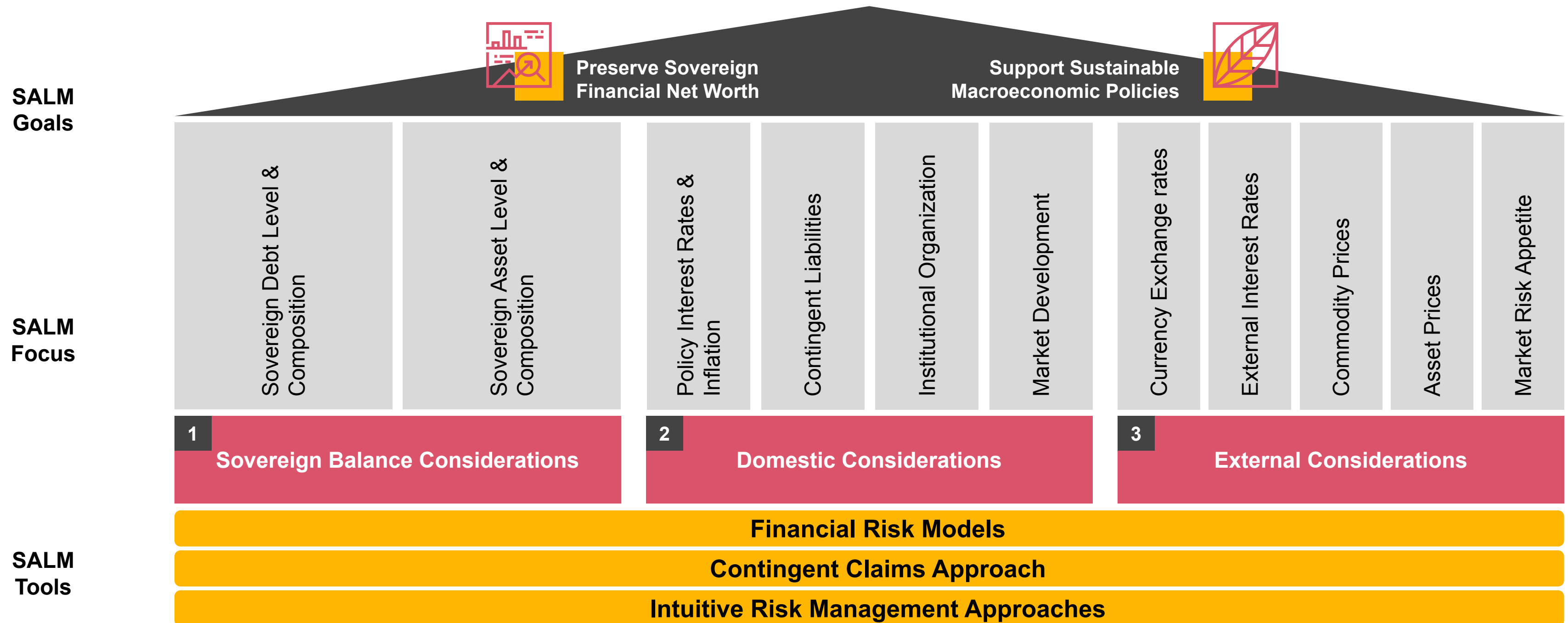
Talal Salman
Strategy & Middle East
Principal



04

The SALM framework is a public sector balance sheet approach that minimizes adverse financial exposures and informs policymaking

Sovereign Asset Liability Management (SALM)



The SALM framework becomes more pressing in resource rich countries, helping them manage volatility and supports their macro-fiscal and financial agenda

SALM at the Intersection of Policymaking

Sovereign Balance Sheet

Assets

Financial Assets

- Cash Reserves & Equivalents
- International Reserves
- SWFs
- Loans to other government agencies

Non-Financial Assets

- Net worth of the SOEs
- Infrastructure investments

Future Assets

- Fiscal Revenues
- Receivables

Financial Liabilities

- Government Debt
- Debt by Government Related Entities (GREs)
- Deposits by local authorities and commercial banks
- Payments to suppliers

Future Liabilities

- Fiscal expenditures
- Social security system deficits
- Contingent liabilities

SALM Objectives

1

Manage volatility of commodity prices for resource rich countries, support macroeconomic and diversification objectives

2

Inform more efficient fiscal policies, finance budget deficits at lowest cost possible, identify future costs and risks

3

Manage future cash flow requirements and maximize the long-term purchasing power of capital

4

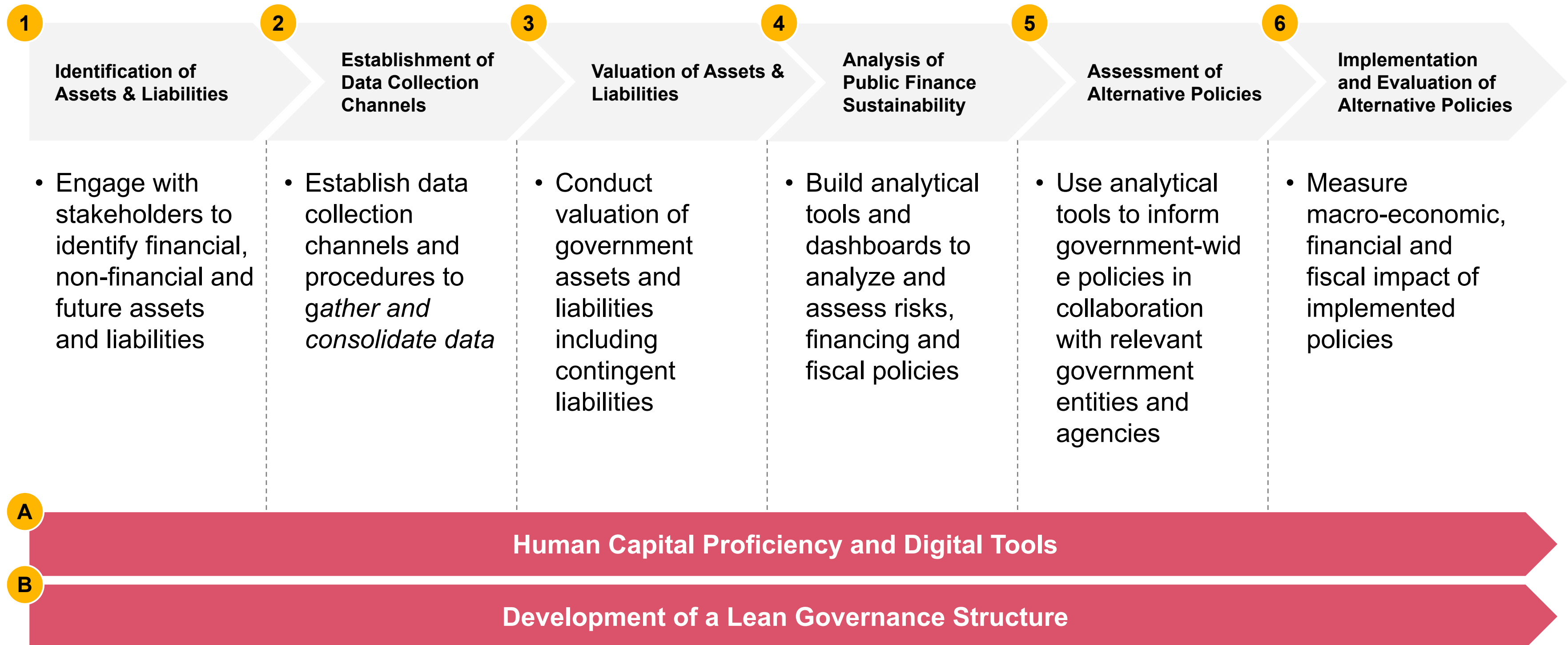
Inform more efficient monetary policies

5

Ensure sustainability of providing government services

Building a dynamic SALM framework to inform policy making would follow 6 main steps supported by key enablers

SALM at the Intersection of Policymaking



New Zealand was one of the first countries to develop its own SALM framework in order to optimize risk management activities

Sovereign Asset Liability Management (SALM) – New Zealand





New Zealand's SALM Framework

New Zealand's SALM framework is based on a comprehensive **public sector balance sheet** (including Reserve Bank, SOEs, and Crown entities)

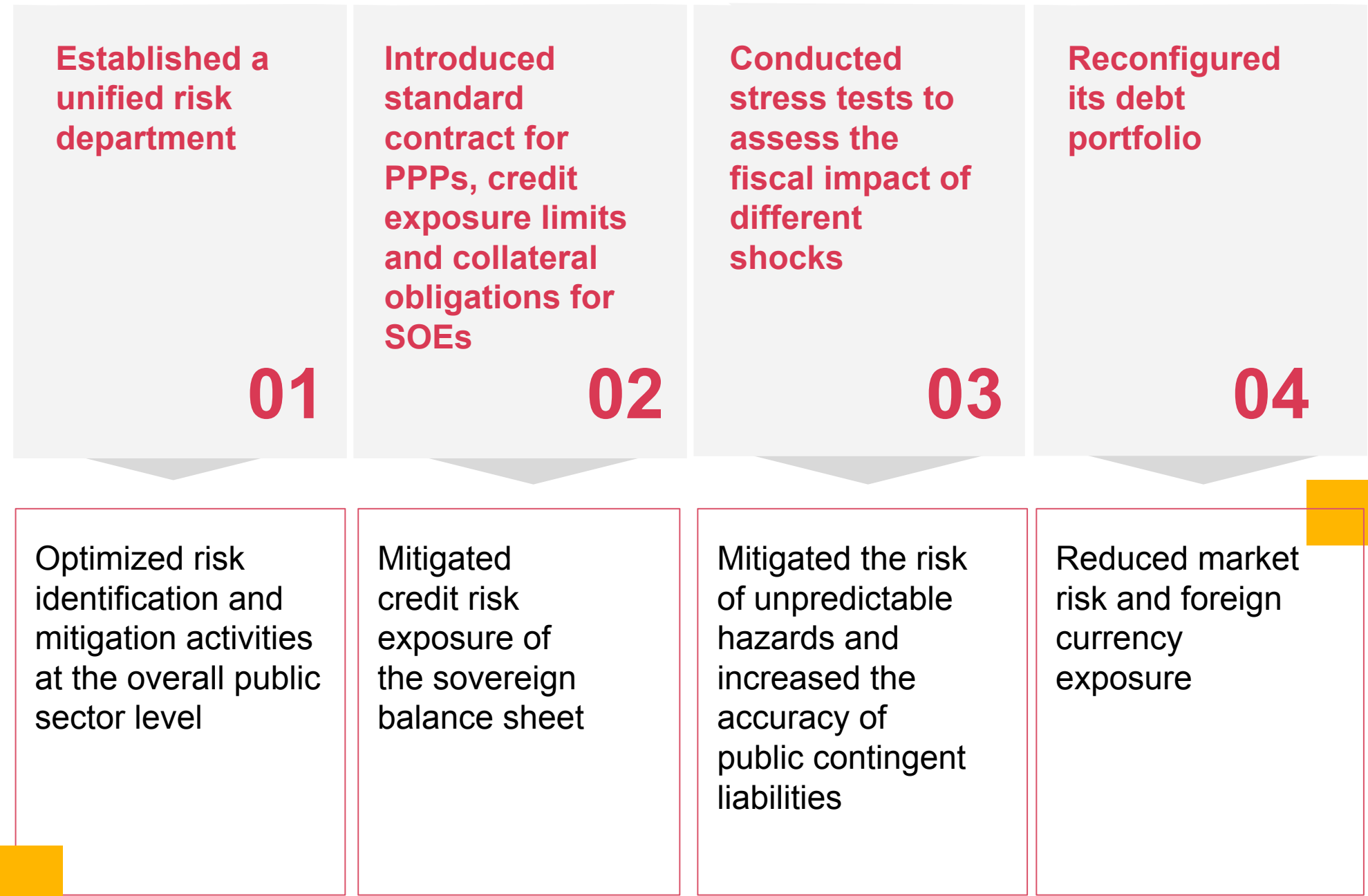
	Assets	Liabilities	Net Worth
Social	57.5	7.1	50.5
Financial	33.2	50.5	-17.3
Commercial	20.1	12.0	8.1
Static balance sheet	110.8	69.5	41.3
Fiscal	1,381.9	1,480.0	-98.1
Intertemporal balance sheet	1,492.7	1,549.5	-56.8

NZ Public Sector Balance Sheet
(% of GDP, 2016)

Main Challenges

-  Unclear and Fragmented allocation of Risk Management Responsibility
-  Duration and Exchange Rate Sensitivity Mismatch between Public Sector Assets and Liabilities

Adopted Government Reforms



Established a unified risk department

01

Optimized risk identification and mitigation activities at the overall public sector level

Introduced standard contract for PPPs, credit exposure limits and collateral obligations for SOEs

02

Mitigated credit risk exposure of the sovereign balance sheet

Conducted stress tests to assess the fiscal impact of different shocks

03

Mitigated the risk of unpredictable hazards and increased the accuracy of public contingent liabilities

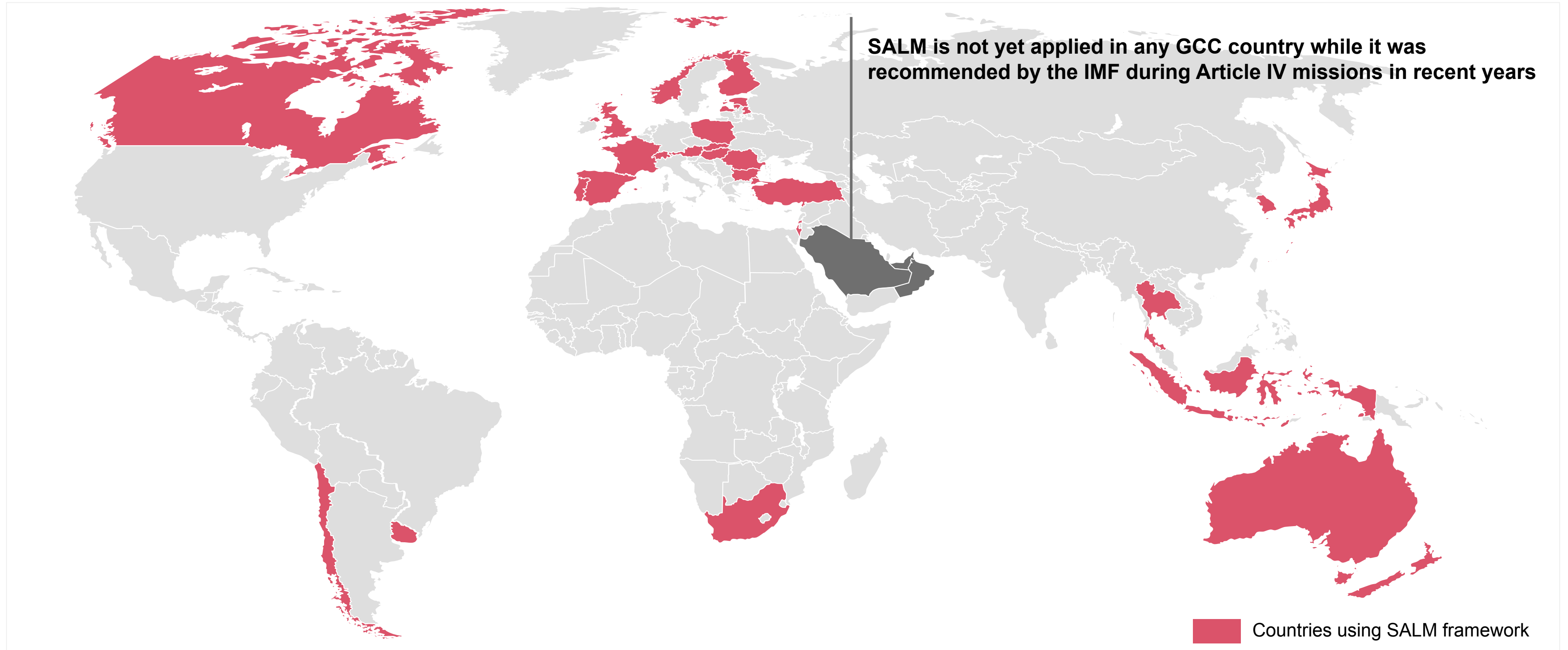
Reconfigured its debt portfolio

04

Reduced market risk and foreign currency exposure

The SALM framework has been applied in several countries in various degrees and but not yet in the GCC despite IMF recommendations

SALM Around the World



Q&A



Thank You

