

Middle East Megatrends: Transforming our region

Understanding the impact of megatrends in the Middle East



Shift in global economic power

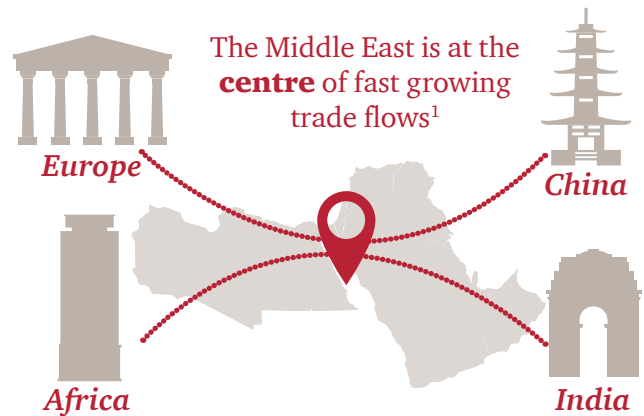
Global economic power has shifted with Asia, Africa and Latin America now accounting for more than half of global GDP* and rapidly rising trade and investment flows between these markets. Global economic power has become multipolar.

This shift has placed the Middle East at the centre of many fast-growing markets, with a location that is between Africa and India, but also on the newly emerging Silk Road between China, Central Asia and Europe. Changing trade patterns are evidence of a pivot to Asia, but also to Africa and Latin America. A growing number of Middle Eastern companies are now investing heavily in these markets.

Dubai has managed to leverage this position to attract global talent and turn the city into a global hub for aviation, tourism and logistics, as well as becoming the default corporate headquarters for Middle Eastern operations. Dubai International Airport became the world's largest airport for international passenger traffic in 2014 and contributes as much as 30% to the emirate's GDP. The GCC as a whole is becoming a significant force in the global airline industry and GCC air freight levels grew four-fold in the past decade.



Dubai International Airport is the **world's largest** for international passenger traffic contributing 30% to Dubai GDP²



GCC economies rely heavily on expatriate workers, who have accounted for much of the population growth and make up the bulk of the population in the UAE and Qatar and a third even in populous Saudi Arabia. **The private sector in most GCC countries is heavily dominated by expats.** Rising unemployment and the need to streamline inefficiency in public sector organisations means governments are focusing on getting citizens into the private sector, which is causing tensions especially in companies that have built themselves on low-cost expat labour.

The shift in global economic power has placed the Middle East at the heart of fast growing trade flows.

* (measured in purchasing parity terms)

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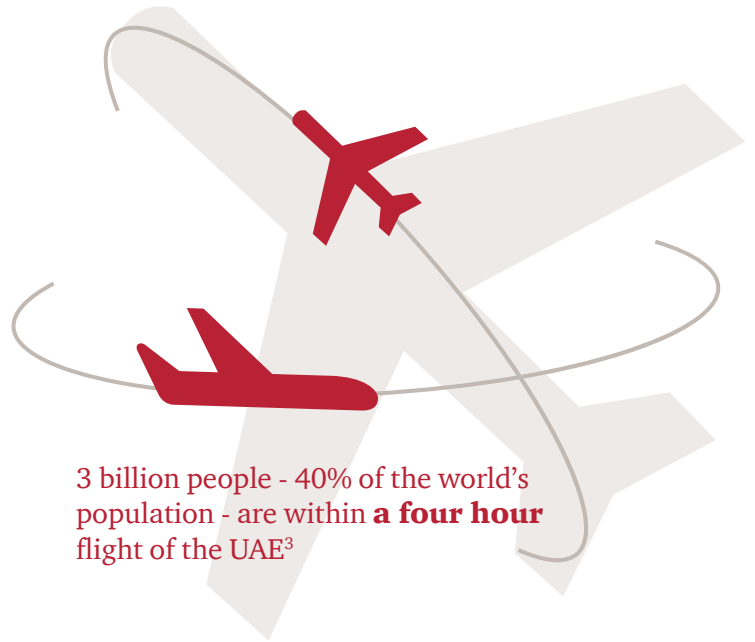
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Investment flows to the Middle East region fluctuate strongly, due to oil-driven investment cycles, investors' perceptions of stability, and unpredictable regulatory regimes. In 2014, investment flows to the GCC were just US\$20 billion, four times lower than their peak in 2008 – with half accounted for by the UAE, where investment is rising. The end of the sanctions regime in Iran may see many investors redirecting their attention to this large market, and we've seen the likes of Saudi Arabia and Egypt taking steps to improve the governance, transparency and accessibility for foreign investors to mitigate this.

Closer connections between Muslim countries in Asia, Africa and Europe have also encouraged the emergence of businesses supporting the Islamic economy. The GCC and especially the UAE, is starting to play a key role in developing this business globally, especially in the area of Islamic finance.

Middle East **middle classes** are forecast to grow by 51% to 165.5m by 2020⁴



3 billion people - 40% of the world's population - are within a **four hour** flight of the UAE³



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Sources:

- 1 EIU. 2 IATA, Airport Council International, CADA. 3 PwC analysis based on World Bank and Dubai DTCM data.
- 4 OECD, European Environment Agency.