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pwc

Transforming our Region

The New Equation

Welcome

Richard Boxshall

Chief Economist
PwC Middle East

01



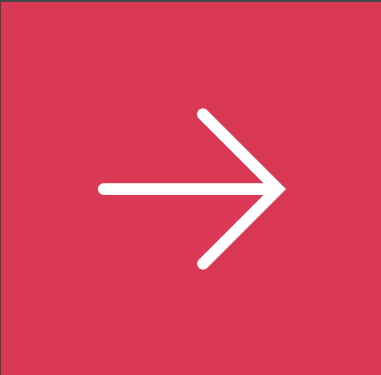
Welcome & Economic
Update

Richard Boxshall
Chief Economist
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Family Business

Amin Nasser
Senior Family Business Advisor
PwC Middle East



Global Value Chains

Georgie Saad
Industrial Development
Strategy& Middle East



Economic Update

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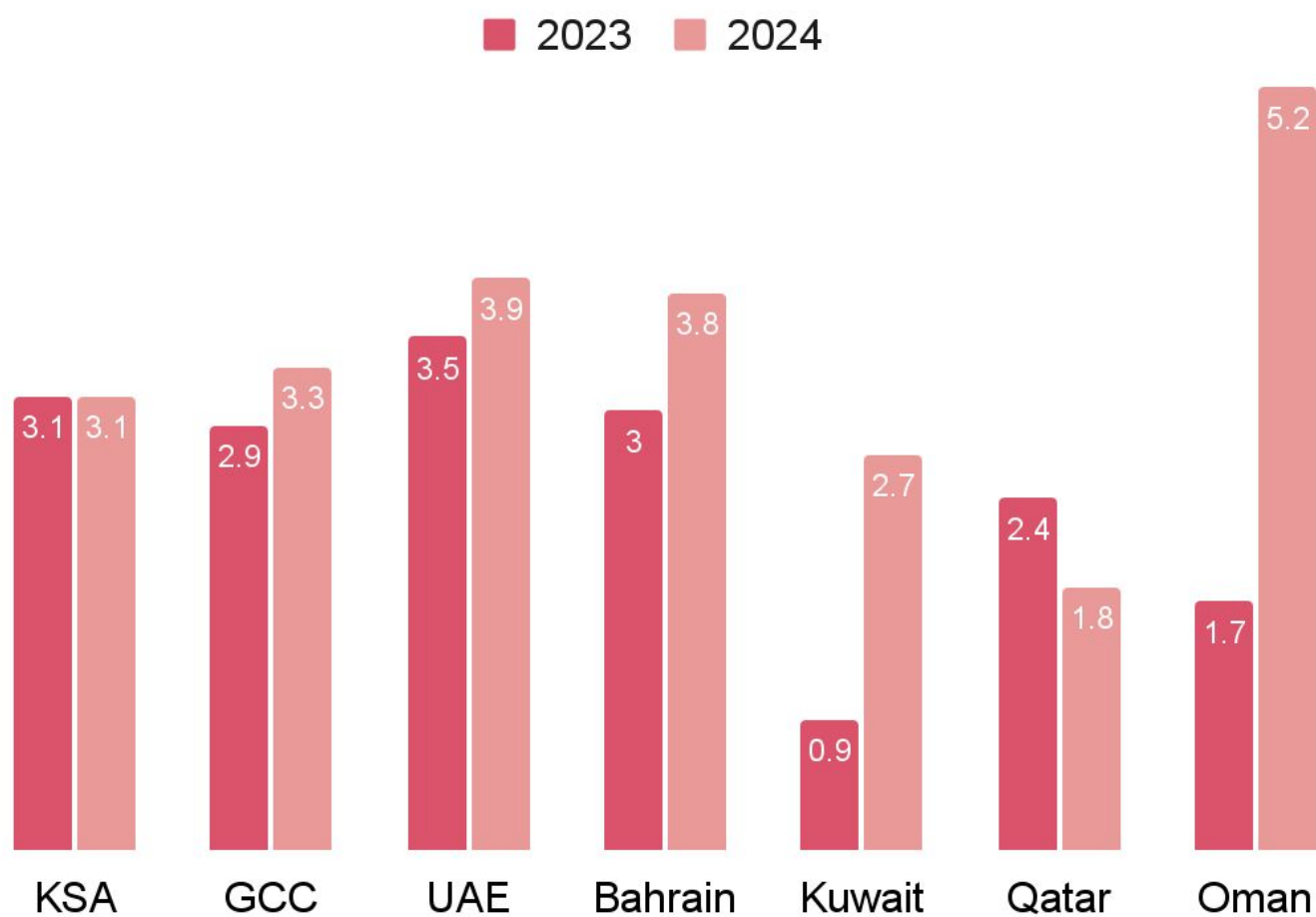
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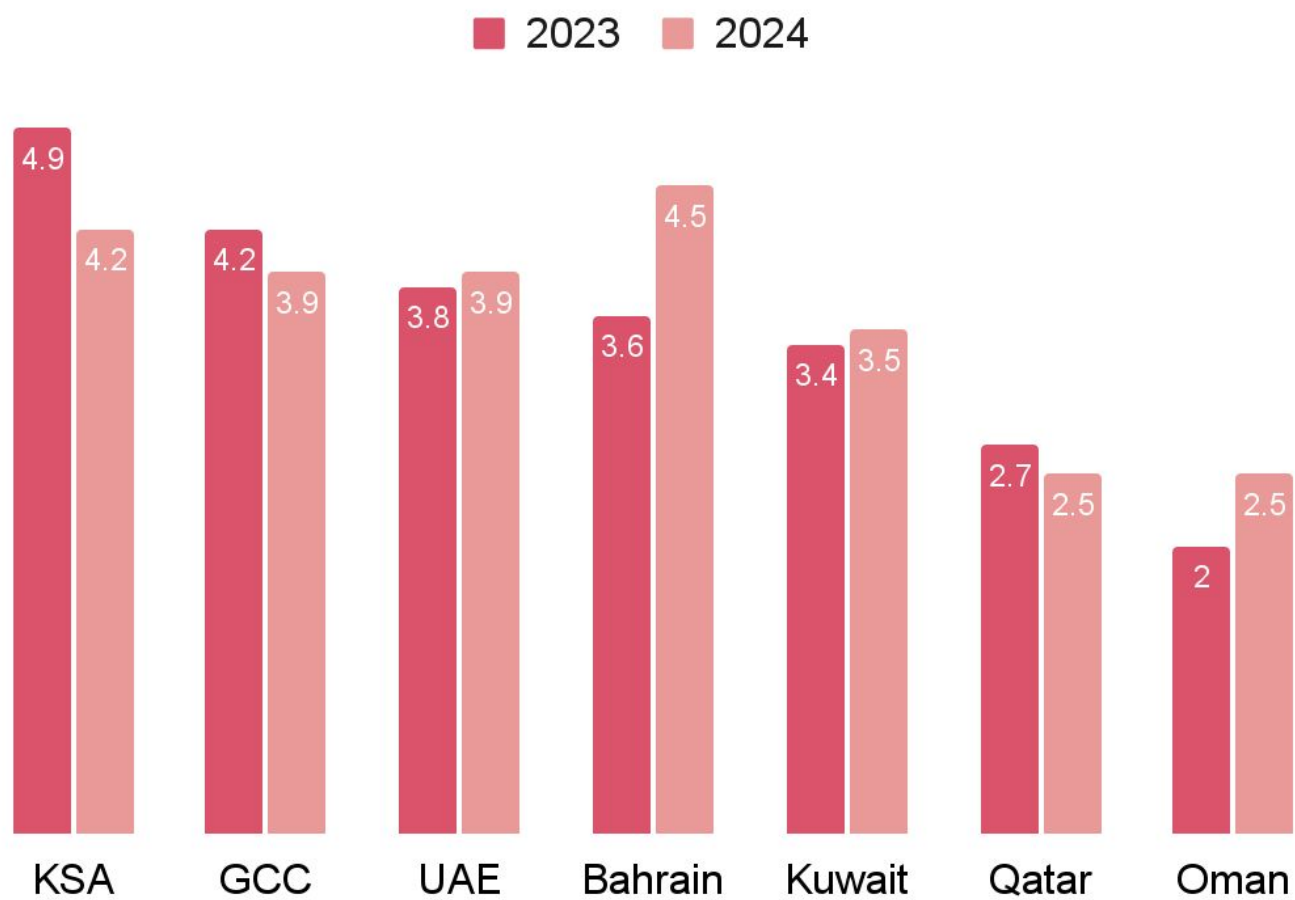
Economic Update

Economic growth in the region will be driven by non-oil activities in 2023-24

Real GDP growth projections 2023-24
(year-on-year % growth)



Real non-oil GDP growth projections 2023-24
(year on year % growth)



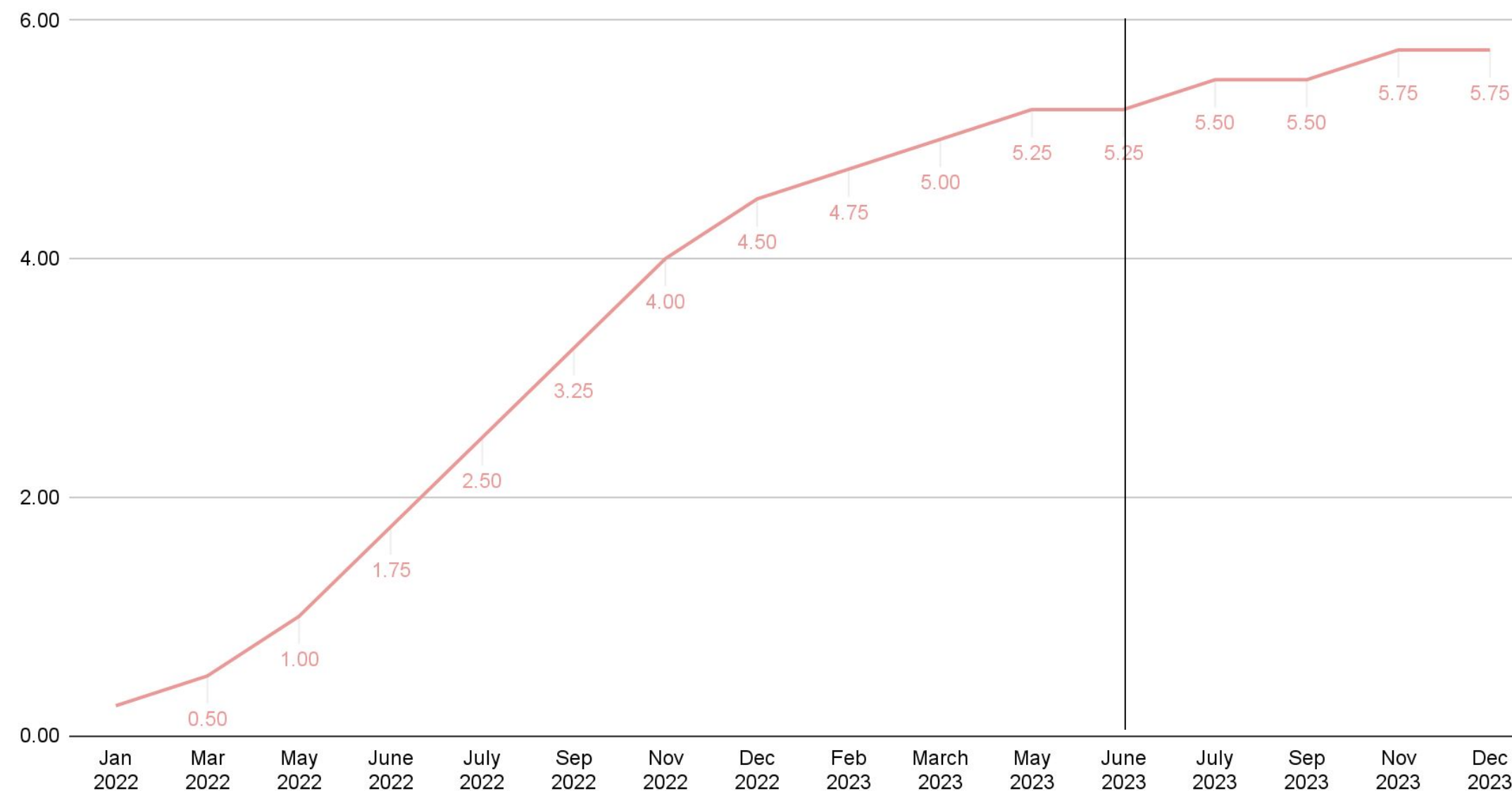
Source: IMF Regional Economic Outlook.

Economic Update

The US Federal Reserve decided to pause its interest rate hiking campaign in June on the back of cooling inflation

The US Federal Funds Upper Limit Rate

(%)

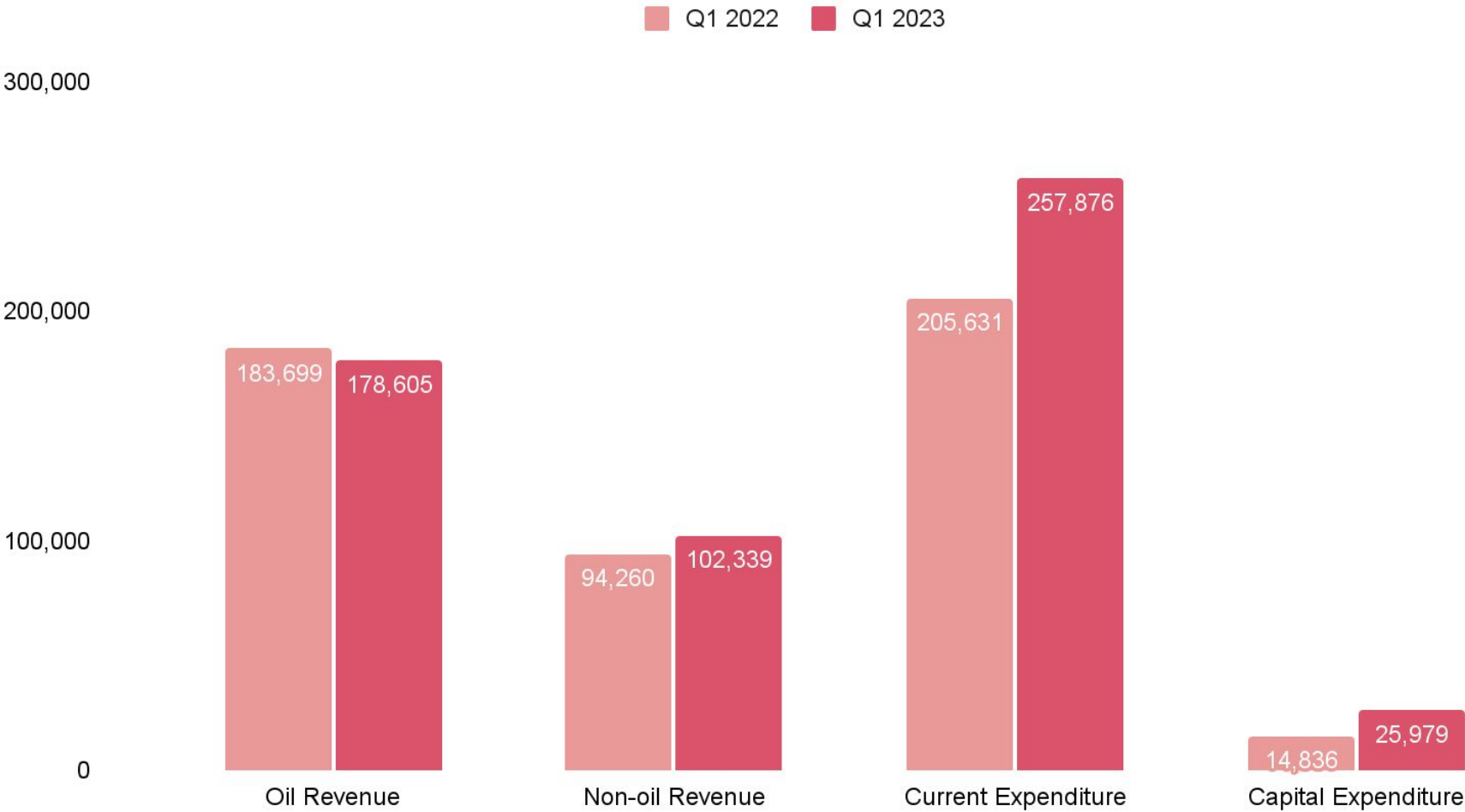


Source: US Federal Reserve.
July 2023 - Dec 2023 rates are Fed policymakers' estimates.

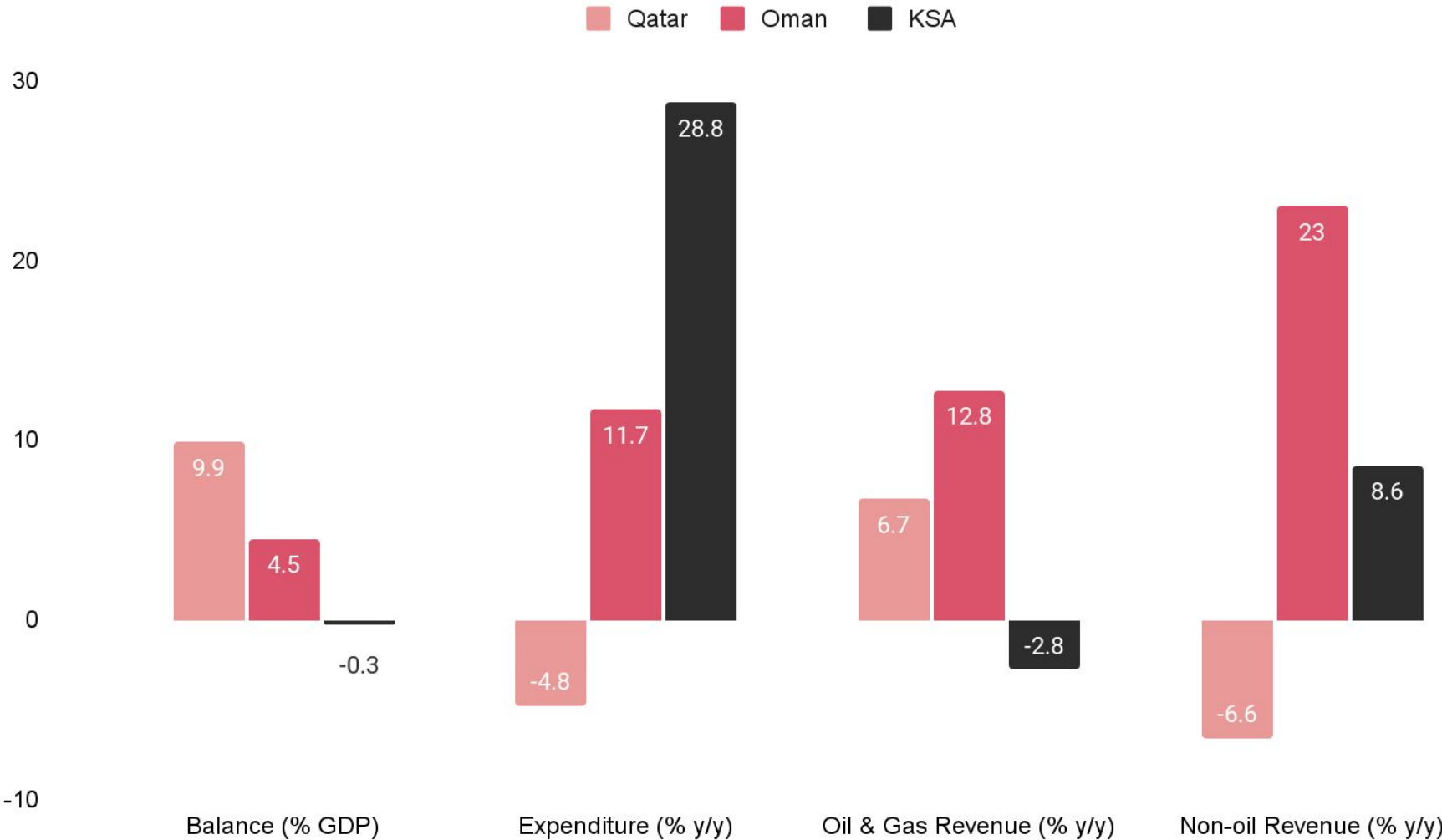
Economic Update

Spending on economic diversification projects in KSA has led to a 28.8% rise in expenditure in Q1 2023, putting pressure on the fiscal balance outlook

KSA's Fiscal Account - Comparison of Q1 2022 to Q1 2023
(SAR Million)



KSA Fiscal Position in Q1 2023 is weaker in y/y terms due to higher expenditure



Sources: Ministries of Finance, GlobalSource.

Family Business

Amin Nasser

Senior Family Business Advisor
PwC Middle East

03



Family Business

01

The importance of Family Businesses in the Regions' economies

02

Challenges faced by Family Businesses in the areas of generational change and unresolved conflicts.

03

The Government's reaction to these challenges and initiatives undertaken to promote sustainability of Family Businesses:

→ UAE

- 1) Federal Decree Law No. 37 of 2022 concerning Family Businesses
- 2) The Dubai Centre for Family Businesses under the umbrella of the Dubai Chambers
- 3) The DIFC Family Wealth Center

→ KSA

- 1) The new Companies Law - Royal Decree No. [M/132] Dated 01/12/1443 AH
- 2) The new Simplified Joint Stock Company
- 3) The National Center for Family Business

Reconfiguring Global Value Chains

Georgie Saad

Industrial Development
Strategy & Middle East

04



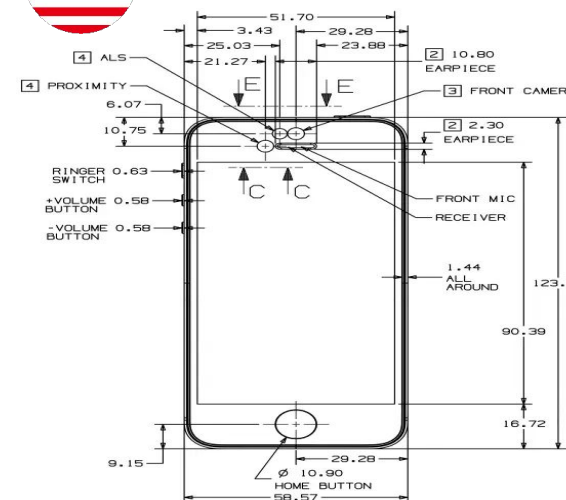
Global value chains (GVCs) are interconnected flows, linking activities divided amongst geographies to bring a product from conception to end use

Global value chain of an iPhone

- **Full range of activities** (design, production, marketing, distribution and support to the final consumer, etc.) **divided among multiple firms across geographies** to bring a product from its conception to its end use and beyond
- Account for **~70% of international trade** (i.e., 30% of overall trade is of products that are fully produced end-to-end, in a single country)

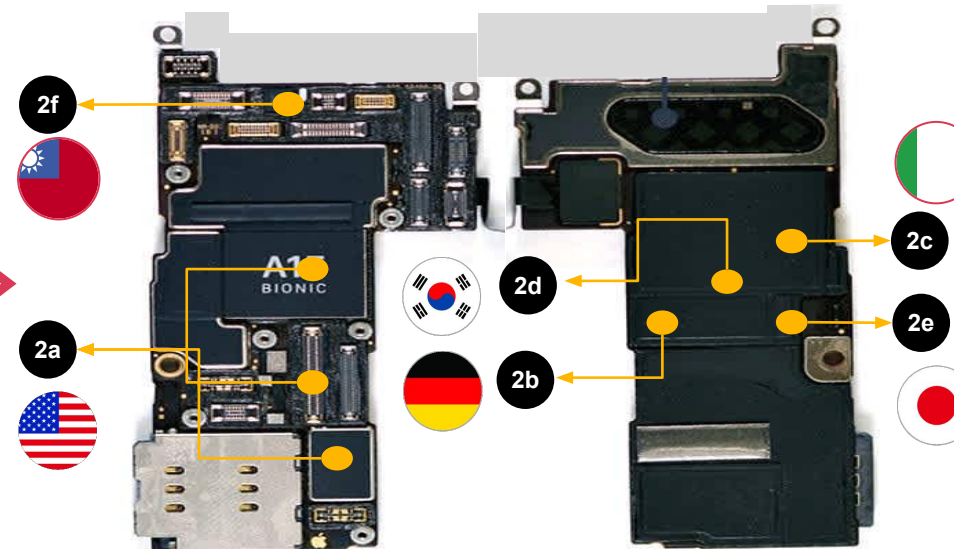
01 Design

Apple sends design from HQ in California to companies around the globe



02 Manufacturing

- | | |
|--|---|
| 2a Touchscreen controller, Flash memory, and Audio controller | 2b Power management components |
| 2c Phone network components | 2d Memory and applications processor |
| 2e Bluetooth and Wi-Fi components | 2f Accelerometers and gyroscope |

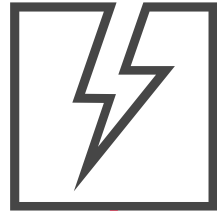


03 Assembly

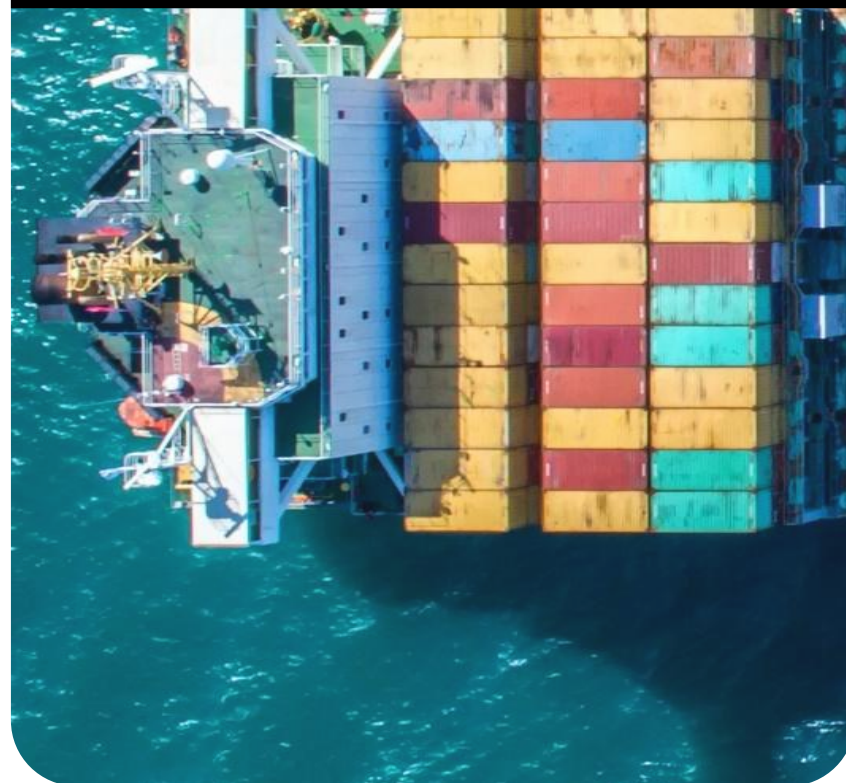
Foxconn assembles final iPhone in China, which is then shipped to be sold globally



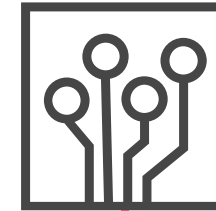
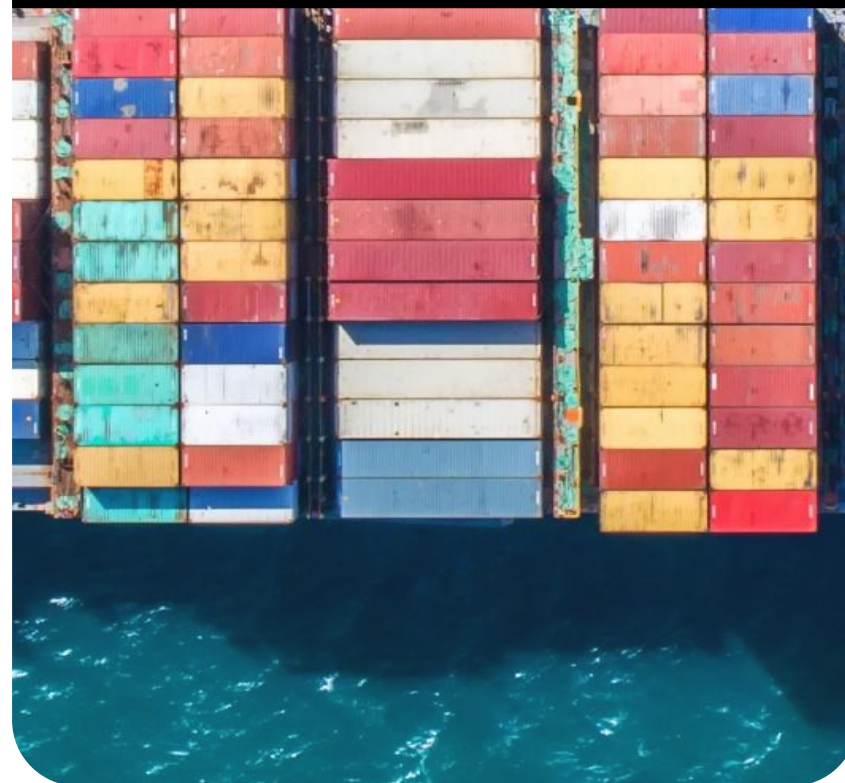
Four disruptive trends are impacting global value chains today



**Resource concentration,
shortages & volatility**



**Climate change &
sustainability**



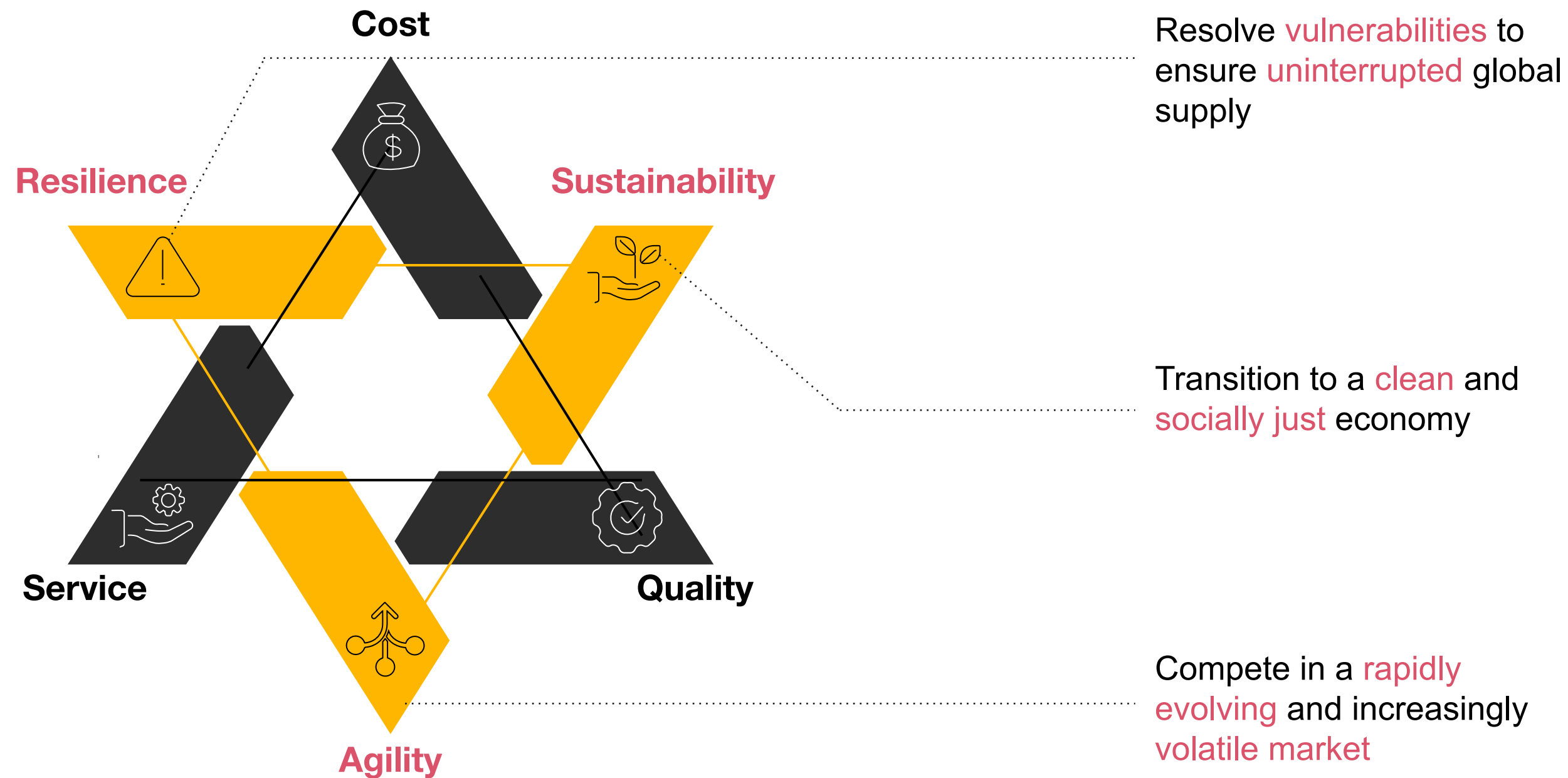
Technological disruptions



**Logistical
bottlenecks**



As a result, GVCs are being reconfigured to focus on resilience, sustainability and agility in addition to the traditional focus



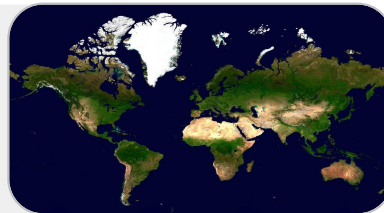
■ Additional focus areas ■ Traditional focus areas

This reconfiguration will drive five fundamental changes in global value chain design

From

01

...global



02

...“doing” digital



03

...economies of scale



04

...regulatory compliance



05

...cost-driven



To

...globally connected
multi-local value chains



...“being” digital across
end-to-end operations



...economies of skill



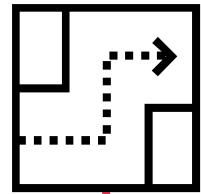
...innovative sustainability



...customer value-driven

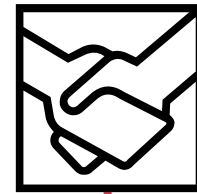


Going forward, the GCC region can rise to the forefront of GVCs by leveraging its unique value proposition to attract international investors



Strategic location with robust infrastructure

- Proximity to **high growth economies** (e.g., India)
- **100+ free zones** (e.g., 54% of UAE's non-oil trade comes from free zones)
- **Advanced digital infrastructure** (e.g., KSA ranks 3rd in 5G deployment)



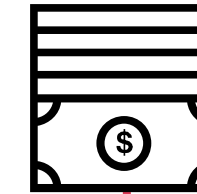
Strong and investor friendly economy

- **Fast growing economies** with economic diversification
- **Healthy fiscal policy** (e.g., 5.3% fiscal surplus in 2022)
- **Investment capabilities** with \$3 Tn of sovereign wealth fund assets and \$2 Tn pipeline of projects



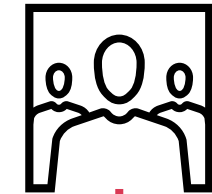
Ambitions sustainability agenda

- **Ambitious green energy targets** (e.g., 50% of total capacity by 2030 for KSA)
- **12 MT of clean hydrogen** production by 2030
- Competitive **renewable energy generation costs** (e.g., LCOEs less than \$1 cents/kwh)



Competitive production cost

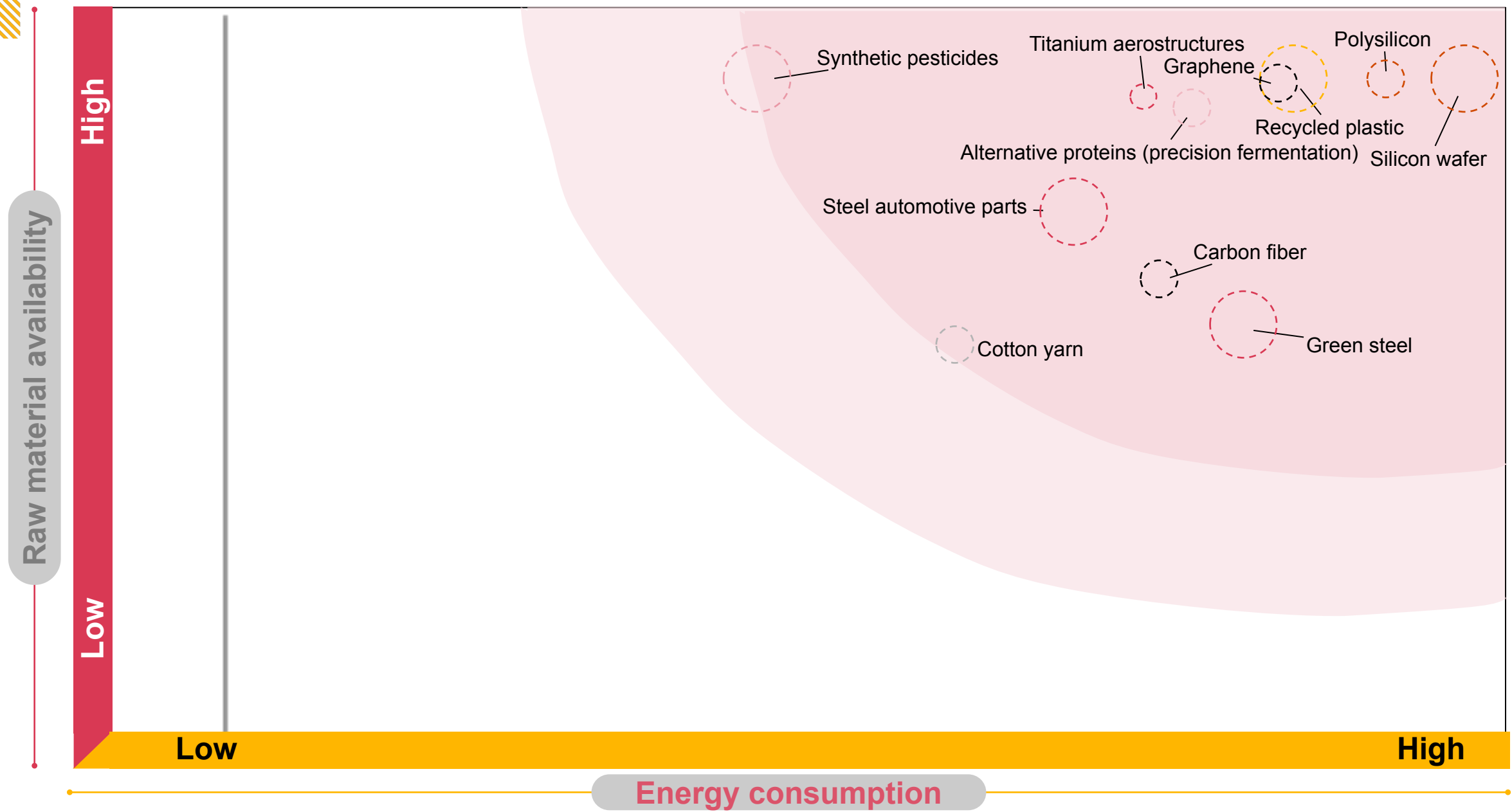
- Major producers of **petroleum products and raw materials** (e.g., metals, chemicals)
- **Low and stable utility tariffs** (30-70% lower than US, Europe etc.)
- **Attractive incentives** for manufacturing (e.g., grants, tax support)



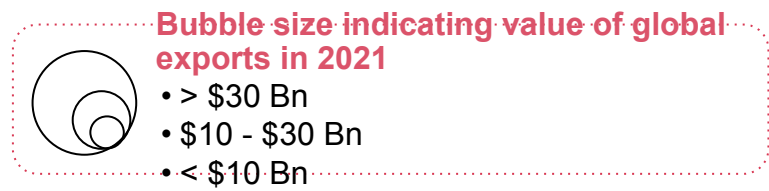
Future ready workforce

- **58+ Mn young population** with median age of 30 years
- Access to **skilled talent** (UAE and Qatar score high on Talent Competitiveness Index)
- **Increased spending on human capital** (20% KSA budget is for education)

Based on our proprietary analysis, we have identified over 10 product categories where the GCC region has a right to win



- Electronics
- Metals
- Plastics
- Agriculture and food products
- Specialty carbon products
- Textiles



Potential impact

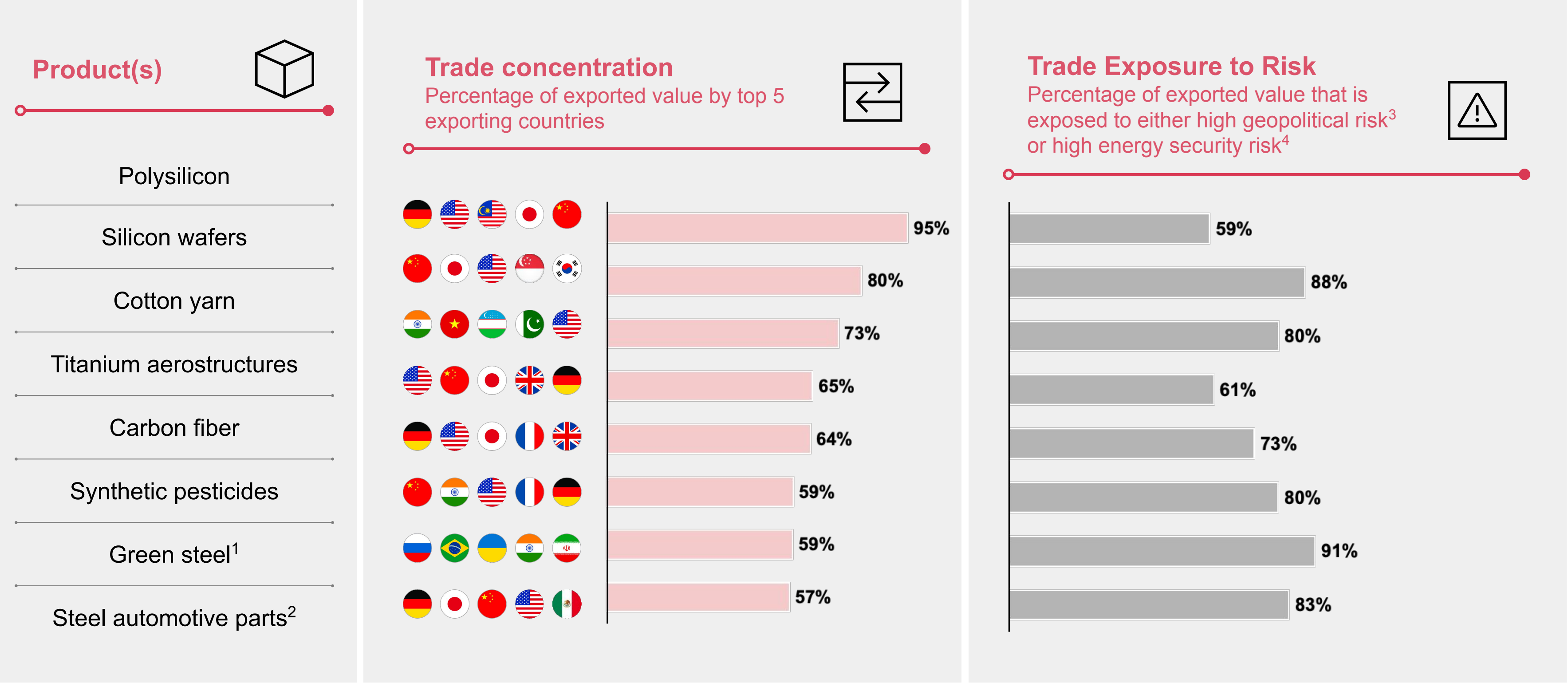
➡ **\$300Bn** in FDI

➡ **150,000** jobs

➡ **\$25Bn** in non-oil exports

➡ **75Mt** reduction of CO2 emission

Trade of these product categories is highly concentrated and exposed to risk – an opportunity for GCC to contribute to resilient GVCs



1) Data based on trade data of “Steel semi-finished products” (HS code 7207), as green steel is not yet at commercial stage; 2) Data based on trade data of steel sub-products of the “Parts and accessories for vehicles” products (HS code 8708)
3) Trade by countries scoring in the lowest third percentile on world bank political stability ranking; 4) Trade by countries scoring lower than 70% on energy self-sufficiency as per IEA and APERC data
Source: World Bank, IEA, Asia Pacific Energy Research Centre, ITC Trade Map, Strategy& Analysis

Becoming a key player in global value chains will require a joint effort between government, Sovereign Wealth Funds (SWF) and private sector



Governments



Sovereign Wealth Funds (SWFs)



Private sector



Thank you