

Bloomberg's Horizons Middle East & Africa Interview, 28 Aug 2025

Aathira Prasad joined Joumanna Bercetche on 28th August, 2025 as part of the Horizons Middle East & Africa show to discuss the Egypt central bank's monetary easing cycle & outlook for the GCC economies in the global macroeconomic backdrop.

Main discussion points included the below:

Given that inflation has been easing (13.9% in Jul 2025. vs a peak of 38% in Sep 2023) and real interest rates remaining high, the CBE appears to have the leeway to go ahead with a gradual easing strategy.

The rates could go lower than 20% by end of the year, if the international financial environment becomes less volatile as a result of a reduction in the US Fed rate and the ECB maintains or reduces rates and geopolitical regional risks diminish resulting in a restoration of Suez Canal traffic and revenues.

A potential rate cut from the Fed could lower pressure on Egypt's external financing costs, reduce debt servicing costs, and support investor confidence, particularly among holders of Egyptian debt.

Egypt has been in a relatively strong position so far this year (despite lower Red Sea traffic, regional conflicts and the Gaza war): the IMF-backed reform agenda (it passed its fourth IMF review) is slowly being rolled out (including tax and subsidy reforms), supported by financing from IFIs (WB, EIB, EBRD and Chinese investment funds) and net FDI has picked up. Egypt's current account deficit has improved sharply –

surging remittances (record USD 36.5bn in 2024-25), higher tourism revenues, and a jump in non-oil exports.

Watch the interview below or via the [direct link](#)

Comments on Egypt's interest rate cut in Reuters, 29 Aug 2025

Dr. Nasser Saidi's comment (posted below) on Egypt's interest rate cut and growth prospects appeared in the article titled "[Egypt central bank slashes key interest rates by 200 bps](#)" on Reuters dated 29th August 2025.

"Regional support, especially from the Gulf countries through joint ventures, sovereign wealth fund investments, and multi-billion-dollar strategic partnerships have helped the economy recover and improved growth prospects," economist Nasser Saidi told Reuters.

Interview with Al Arabiya (Arabic) on Egypt's interest rate hike, currency floatation & IMF deal, 7 Mar 2024

In this interview with Al Arabiya aired on 7th March 2024, Dr. Nasser Saidi discusses the 600bps hike in interest rates, removal of currency controls and the IMF deal.

Watch the TV interview below:

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– □□□□□□ Business – □□□ (@AlArabiyaBN EG) [March 7, 2024](#)

Bloomberg Daybreak: Middle East & Africa Interview, 28 Feb 2024

Aathira Prasad joined Vonnie Quinn on 28th of February, 2024

as part of the Bloomberg Daybreak: Middle East & Africa edition. The discussion focused on macroeconomic outlook in the UAE & Saudi Arabia, in addition to our views on Egypt.

Watch the interview (from 27:19 to 33:40):
<https://www.bloomberg.com/news/videos/2024-02-28/daybreak-middle-east-africa-02-28-2024-video>

Bloomberg Daybreak: Middle East & Africa Interview, 6 Nov 2023

Aathira Prasad joined Yousef Gamal El-Din on 6th of November, 2023 as part of the Bloomberg Daybreak: Middle East & Africa edition. The discussion focused on Saudi Arabia's PMI release, Egypt's inflation and the regional implications of the Israel-Hamas conflict on markets, especially oil.

– Saudi PMI jumped in Oct: employment increased the most since October 2014 => demand for labour => demand for housing will rise while supply has remained relatively stable. Will continue driving up prices of housing & in turn have an impact on inflation.

– The underlying situation in Egypt has still not changed: curbing of imports has led to supply shortages & dollar shortages have led to a rise in dollar rate in the parallel market. Accumulation of govt debt is a worry and the geopolitical situation adds another layer of uncertainty.

There are some +ives: attractiveness to foreign investors (oil. & gas, renewable projects, start ups / e-commerce),

tourism. But, this could be affected if the current turmoil in the region spills over and/or continues for longer.

– Re markets: focused on what seems to a halt in the rate-hiking cycle; for now, geopolitical risk premiums have eased & there seems to be no significant impact on demand for oil or a supply disruption.

Watch the interview below:
<https://www.bloomberg.com/news/videos/2023-11-13/prasad-saudi-oil-cuts-to-remain-until-year-end-video>

Bloomberg Daybreak Middle East Interview, 18 Oct 2023

Aathira Prasad joined Yousef Gamal El-Din on 18th of October, 2023 as part of the Bloomberg Daybreak: Middle East edition. The initial discussion focused on the Israel-Gaza conflict and its regional impact, followed by if that could lead to any impact on growth in GCC nations like the UAE. The interview also touched upon Egypt's inflation levels and rumours of a state asset sale soon before ending with the outlook for oil prices (& OPEC+ decisions).

- The impact of the conflict will depend on how long-drawn-out the conflict is likely to be, whether there are spillovers & if other parties are drawn into the conflict. Growth will slow down.
- Negative impacts likely on tourism & hospitality, FDI flows, and commodity prices (especially if the conflict continues & there are disruptions to transport and logistics).
- Investor confidence will be affected.

- Middle East accounts for more than 1/3-rd of the world's seaborne oil trade; IF conflict leads to disruption at any of the major oil transit chokepoints, it could impact supplies in an already tight market.
- As of end-2022, MENA was hosting about 2.4mn refugees + about 12.6mn internally displaced persons (Source: UNHCR). Any further addition to this would put severe strain on the hosting nations' budget & finances.

Watch the interview below (from 29:40 onwards):
<https://www.bloomberg.com/news/videos/2023-10-18/bloomberg-day-break-middle-east-africa-10-18-2023-video>

Bloomberg Daybreak Middle East Interview, 14 Sep 2023

Aathira Prasad joined Yousef Gamal El-Din on 14th of September, 2023 as part of the Bloomberg Daybreak: Middle East edition. Discussion ranged from the impact of the extension of oil production cuts by Saudi & Russia to growth outlook for Saudi Arabia; also discussed were the US-Bahrain security agreement and thoughts about inflation in Egypt.

Watch the interview below:
<https://www.bloomberg.com/news/videos/2023-09-14/nasser-saidi-assoc-s-prasad-on-oil-egypt-inflation-video>

Bloomberg Daybreak Middle East Interview, 12 Jul 2023

Aathira Prasad joined Yousef Gamal El-Din and Manus Cranny on 12th of July, 2023 as part of the Bloomberg Daybreak: Middle East edition, speaking about Egypt's asset sales (USD 1.9bn worth, of which USD 1.65bn was in foreign currency) and prospects for the nation in the backdrop of record-high inflation. Also discussed were Turkey's inflation & growth prospects while also touching upon whether the Saudi cuts are going to affect the oil markets & also the country's growth prospects.

Watch the interview below, which can also be accessed from the original link:

<https://www.bloomberg.com/news/videos/2023-07-12/nasser-saidi-egypt-nabs-1-9b-state-asset-sales-video>

Bloomberg Daybreak Middle East Interview, 9 Sep 2022

Aathira Prasad joined Manus Cranny on 9th of September, 2022 as part of the Bloomberg Daybreak: Middle East edition, speaking about the latest inflation readings in both Egypt and Turkey.

Watch the interview below, which can also be accessed from the

original

link:

<https://www.bloomberg.com/news/videos/2022-09-09/prasad-we-expect-inflation-numbers-to-rise-video>

Weekly Insights 7 Sep 2020: Businesses, Credit & Economic Activity in UAE & KSA

Charts of the Week: As manufacturing PMIs touch new highs in Aug, services PMI stalls. Regional activity is at odds with global peers. Are consumers/ businesses feeling the pinch of Saudi Arabia's VAT hike? Why is the credit disbursement pattern different in the UAE?

1. Manufacturing PMIs: Global vs. Regional

Manufacturing PMI numbers for August signal a tentative recovery compared to the massive dip in the Covid19 lockdown period. Global manufacturing PMI reached its highest in 21 months (51.8 from Jul's 50.6), as output and new orders rose at the fastest rates since Apr and Jun respectively, while export demand stabilised. The headline manufacturing indices in the US and Europe improved as restrictions were lifted and more production came online. However, a key point to note is that in many cases export demand has not recovered as much as domestic demand (post lockdown). Meanwhile, services sector activity has almost stalled: the initial rebound is tapering off given ongoing social restriction policies. The bottom line is that though PMIs have shown some improvement, the impact might be hampered by rising unemployment, subdued

international demand alongside overall economic and public health uncertainty.

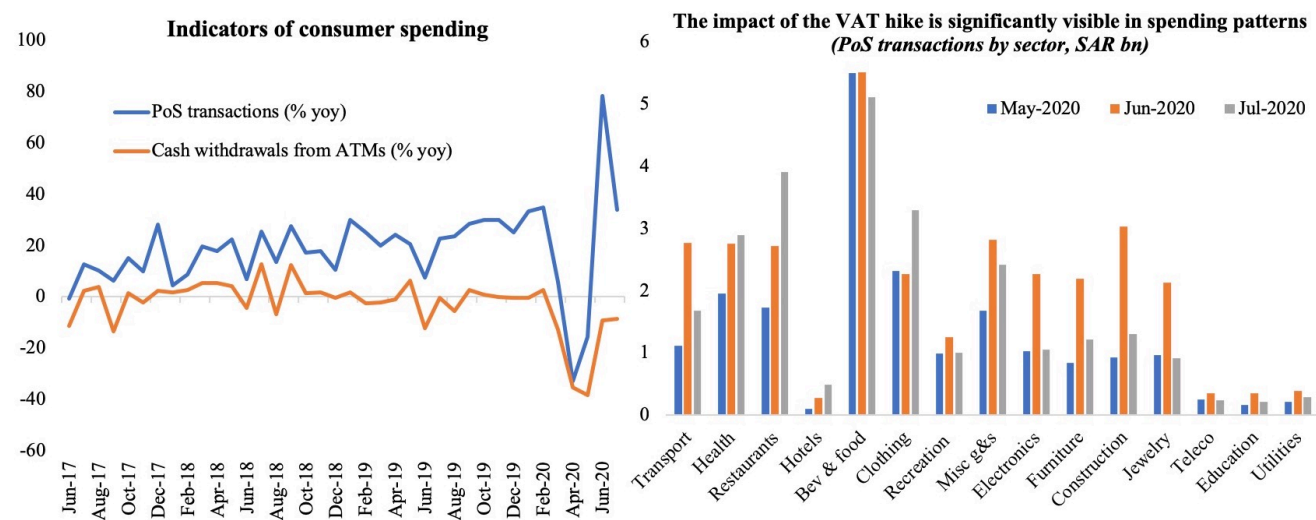
Heatmap of Manufacturing/ Non-oil sector PMIs

	US	Germany	EU	UK	Japan	China	India	UAE	Saudi Arabia	Egypt	Lebanon
Jan-19	54.9	49.7	50.6	52.8	50.3	48.3	53.9	56.3	56.2	48.5	46.5
Feb-19	53.0	47.6	49.5	52.1	48.9	49.9	54.3	53.4	56.6	48.2	46.9
Mar-19	52.4	44.1	48.3	55.1	49.2	50.8	52.6	55.7	56.8	49.9	46.3
Apr-19	52.6	44.4	48.4	53.1	50.2	50.2	51.8	57.6	56.8	50.8	46.7
May-19	50.5	44.3	47.9	49.4	49.8	50.2	52.7	59.4	57.3	48.2	46.3
Jun-19	50.6	45.0	47.6	48.0	49.3	49.4	52.1	57.7	57.4	49.2	46.3
Jul-19	50.4	43.2	46.6	48.0	49.4	49.9	52.5	55.1	56.6	50.3	47.7
Aug-19	50.3	43.5	47.1	47.4	49.3	50.4	51.4	51.6	57.0	49.4	47.8
Sep-19	51.1	41.7	46.0	48.3	48.9	51.4	51.4	51.1	57.3	49.5	46.4
Oct-19	51.3	42.1	46.2	49.6	48.4	51.7	50.6	51.1	57.8	49.2	48.3
Nov-19	52.6	44.1	47.0	48.9	48.9	51.8	51.2	50.3	58.3	47.9	37.0
Dec-19	52.4	43.7	46.4	47.5	48.4	51.5	52.7	50.2	56.9	48.2	45.1
Jan-20	51.9	45.3	48.1	50.0	48.8	51.1	55.3	49.3	54.9	46.0	44.9
Feb-20	50.7	48.0	49.1	51.7	47.8	40.3	54.5	49.1	52.5	47.1	45.4
Mar-20	48.5	45.4	44.3	47.8	44.8	50.1	51.8	45.2	42.4	44.2	35.0
Apr-20	36.1	34.5	33.4	32.6	41.9	49.4	27.4	44.1	44.4	29.7	30.9
May-20	39.8	36.6	39.5	40.7	38.4	50.7	30.8	46.7	48.1	40.0	37.2
Jun-20	49.8	45.2	47.4	50.1	40.1	51.2	47.2	50.4	47.7	44.6	43.2
Jul-20	50.9	51.0	51.7	53.3	45.2	52.8	46.0	50.8	50.0	49.6	44.9
Aug-20	53.1	52.2	51.6	55.2	47.2	53.1	52.0	49.4	48.8	49.4	NA

Source: Refinitiv Datastream, Nasser Saidi & Associates

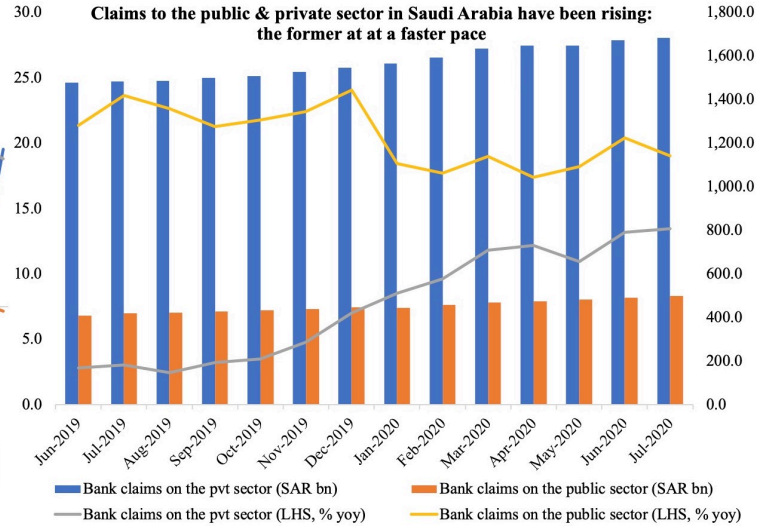
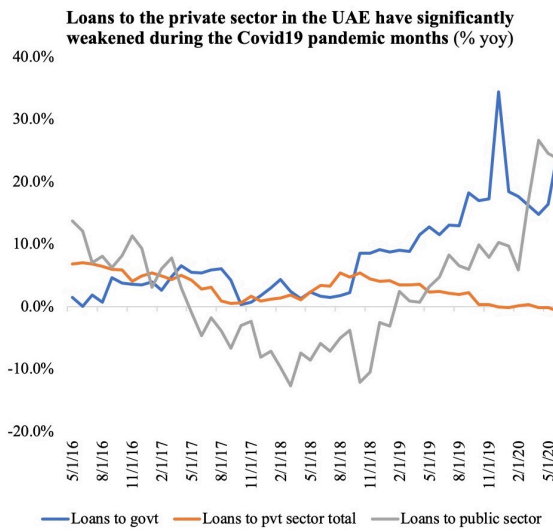
From the list above, only Japan and countries from the Middle East are sub-50 indicating a contraction. Egypt posted the 13th straight month of contraction in Aug, while both Saudi Arabia and UAE moved below 50. The relevant question for the region is why? A sharp decline in jobs is the main drag on headline indices, as firms try to lower operational costs amid a scenario of weak demand and subdued growth prospects. In the UAE, not only did the employment sub-index fall to its lowest in 11 years (with one in 5 panelists reducing number of employees) but firms also had to deal with price discounting to remain competitive. In Saudi Arabia, the hike in VAT (from Jul) drove up input costs, adding more pressure on firms. Overall, a prolonged weaker recovery could lead to firm closures, that would lead to job losses, bankruptcies as well as an impact on the banking sector via an increase in NPLs.

2. Saudi Arabia impacted by the VAT hike: how has consumer spending fared?



Saudi Arabia's VAT hike has negatively affected consumers as well as businesses. Consumers, who ratcheted up spending in June (similar to patterns in Dec 2017, prior to the introduction of VAT in Jan 2018), have reverted to "normal" spending habits come July. Comparing the patterns by sector, the difference in Jul is striking in purchases of big-ticket items – electronics, furniture, jewelry as well as construction and building materials. Interestingly, sectors like hotels, restaurants and clothing showed an uptick in spending in spite of the VAT hike – a probable explanation is end of lockdown and the Eid-al-Adha holidays which fell towards end of the month; new clothes are a must and restrictions on international travel resulted in people opting for more regional travel and staycations, thereby boosting payments at hotels and restaurants.

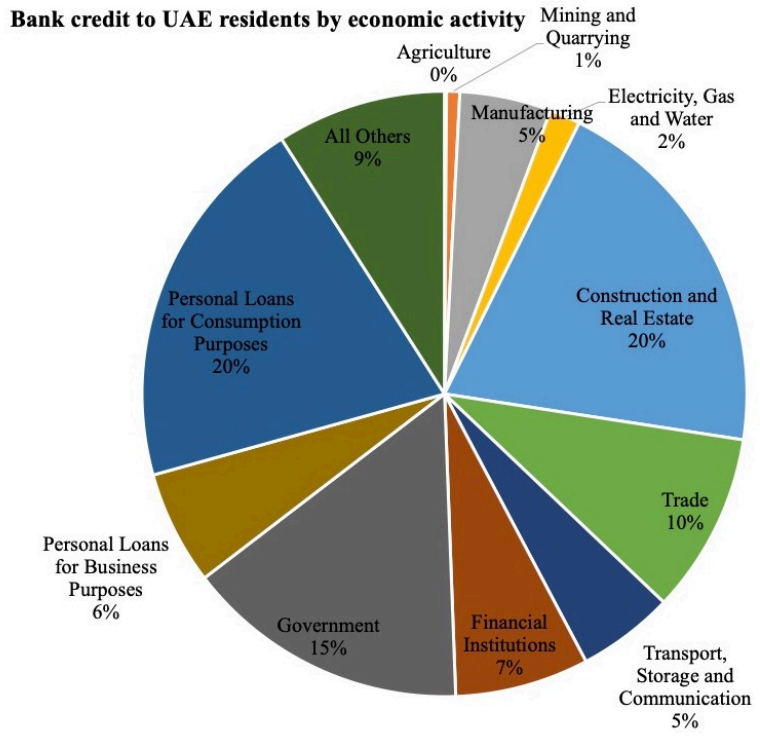
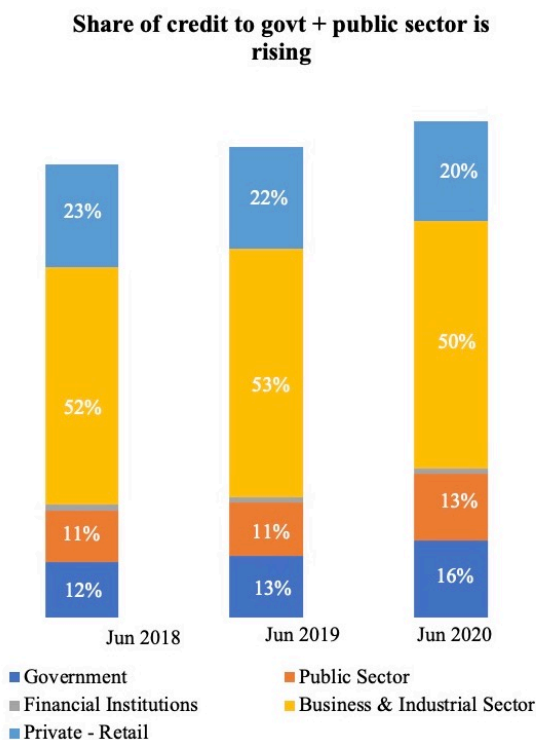
3. Is private sector activity supported by credit disbursement? A tale of two nations



Source: UAE Central Bank, SAMA, Refinitiv Eikon, Nasser Saidi & Associates.

di and UAE central banks have undertaken multiple measures to support their economies through this Covid19 phase: this includes increased liquidity, deferral of loan payments (which was recently extended further till Dec 2020 by SAMA) as well as support for the private sector (specifically those businesses most affected by the pandemic, and SMEs) from banks. However, while credit to the private sector has picked up in Saudi Arabia, the opposite was the case in the UAE. Why?

4. The big picture of credit activity in the UAE



Source: UAE central bank (latest available data, Jun 2020), Nasser Saidi & Associates

on, lending to the private sector in the UAE has been on the decline since Aug 2018 and worsened during the pandemic phase (Fig 3). In both year-on-year and month-on-month terms, growth in credit to the public sector and government constantly outpaced the private sector, leading to a growing share of the public sector and government. UAE banks lent most to the business sector (50% of total, as of Jun 2020 vs. 53% in Jun 2019), while the public sector & government together account for close to 30% of all loans (vs. 24% a year ago). Lending remains quite high for construction/ real estate (20%), government (15%) and personal loans (20%); this compares to 21.8%, 12.9% and 21.2% respectively a year ago.

The UAE central bank has been proactive in releasing liquidity to the financial sector during Covid: in addition to the Targeted Economic Support Scheme (Tess) rolled out in Mar, in early-Aug it temporarily relaxed the net stable funding ratio (NSFR) and the advances-to-stable resources ratio (ASRR) by 10 percentage points to enhance banks' capacity to support customers. As of July 18, banks had withdrawn AED 43.6bn, equivalent to 87.2%, of the AED 50bn Tess programme made available to them. The central bank also disclosed that, as of Jul 2020, 260k individuals and 9527 SMEs had availed the interest-free loans under Tess; credit to SMEs accounted for 9.3% of total amount disbursed to the private sector and individuals had received support worth AED 3.2bn from banks. This is but a drop in the ocean compared to the overall amount made available to the banks (i.e. AED 50bn Tess, part of the wider AED 100bn stimulus unveiled in Mar, and a further easing of buffers raising stimulus size to AED 256bn).

In this context, the questions to be answered are two-fold: 1. Are customers not seeking loans during these troubled times? Or 2. Are banks unwilling to lend during these troubled times? The answer is not crystal-clear, but more likely a combination of both (as evidenced below).

According to the latest "Credit Sentiment Survey" by the UAE

central bank, about 53% of respondents stated that the demand for both business and personal loans in Q2 had declined either substantially or moderately. In the backdrop of Covid19, and heightened economic uncertainty, it is likely that consumers do not want to take on loans they cannot service or repay in case of job loss or firm closures; the same applies for businesses in sectors that are tourism-specific or aviation/travel-related firms or others affected by the pandemic (insolvencies/ bankruptcies). On the other hand, for banks, knowingly lending to such firms/ customers could result in an increase in NPLs that would affect their profit margins and bottom line: going by the H1 earnings of the 4 largest listed banks in the UAE, combined net profits are down by 36% yoy while provisions have increased (ENBD by 243% yoy). So, banks have tightened credit standards instead, hence lowering pace of lending to the private sector. Both demand side and supply side of credit are impacting credit.

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China-US Tensions, War with Iran Dominate Medium-Term GCC Risk Landscape: Interview with Bonds & Loans, Apr 2019

Dr. Nasser Saidi's interview with Bonds & Loans, published in Apr 2019, titled "*China-US Tensions, War with Iran Dominate Medium-Term GCC Risk Landscape*" is posted below. The original

can be accessed [here](#).

Despite a positive macro outlook, a blend of rapidly rising regional tensions and an evolving trade dispute between China and the US will weigh more heavily than previously thought on the GCC's economic prospects in the medium term, argues Dr. Nasser Saidi, Founder and President of Nasser Saidi & Associates and Lebanon's former Minister of Economy.

Bonds & Loans speaks with Dr. Saidi about the regional economic outlook, progress on fiscal reforms in the region, structural shifts in the Middle East's political dynamic, and how to avoid the pitfalls of state-led development as currently practiced.

Bonds & Loans: What do you see as the top risks facing GCC markets in 2019?

Nasser Saidi: The first major risk is the oil price. The second relates to spill-overs of international political and economic tensions. The third is climate change.

Oil prices and revenues continue to dominate the macroeconomic risk paradigm in the region, dominating trade, current accounts, and gross output. Despite reform efforts over the past few years, we have yet to see substantial progress on making the GCC less vulnerable to oil price volatility, or on diversification more broadly. Oil prices over the next two years, which we anticipate will hover between the USD55 and USD60 per barrel bracket, subject to added geopolitical risk, remain substantially below breakeven points, which will continue to weigh on the region's current account deficits. This means that many of the GCC countries will have to continue with fiscal adjustments to address their sustainability, while drawing from new and existing funding sources to make up the difference.

Spill-overs from global economic tensions – and here specifically, the economic standoff between the US and China – is also a significant risk. This isn't just about trade, it seems, but rather increasing confrontation at multiple levels: trade; China's role on the global stage; technology;

intellectual property; market access. More fundamentally, it's about economic regime change in China, the world's second largest economy. As China forges ahead with its larger strategic objectives, it is becoming a globalist on a scale yet to be seen.

The main reason why economic warfare between the US and China is important for the GCC is that it could weigh on GCC integration with Asian supply chains. Asia currently accounts for a substantial portion of commodities demand, and China is now the largest importer of GCC oil and gas, so any reduction of the growth rate in China – coupled with the fact that the US is looking to increase production and shipments of shale oil – will have a negative effect on global oil demand.

Finally, climate change is a huge risk. Extreme weather events are increasing, especially in this part of the world, and insurers – as well as investors and the banks – have significantly under-priced climate risk. We could end up having a Minsky moment as a result: once the industry reckons with the scale of its exposure to the fossil fuels industry, we could see an acute and substantial drop in the value of assets exposed to climate risk. This is a social as well as financial risk, but it is largely only viewed as a social risk at present. That is starting to change, particularly in Europe, but it needs to shift much more quickly.

Other global macro risk factors relate to the massive build-up of household and corporate debt on the horizon blended with a tightening liquidity environment, and the uncertain interest rate trajectory in the US. In emerging markets, this is compounded by the fact that a sizeable portion of that debt is denominated in foreign hard currencies, and rising maturities over the next three years.

Bonds & Loans: A significant portion of your presentation at last year's Bonds, Loans & Sukuk Middle East conference focused on political shifts emerging across the wider Middle East. How have some of those shifts played out? Do you see geopolitical risk rising or falling?

Nasser Saidi: You still have wars ongoing in Syria and Yemen.

In Syria, to an extent, we are seeing a lower level of violence, but self-congratulatory statements about defeating ISIS are blatantly misplaced; rebel and national armed forces may have temporarily vanquished the group militarily, but all of the conditions that led to the formation and growth of ISIS – high levels of unemployment, poverty, disengagement with the state, lack of viable economic prospects – continue to persist. These conditions will not change unless global powers start seriously re-considering how they approach post-violence reconstruction in places like Iraq, Syria, Yemen, and Libya among other places.

A failure to address these conditions could likely lead to another boiling over of discontent, particularly among the region's youth. Best estimates for growth in most countries in the Middle East don't exceed 2.2%, which barely covers population growth in many of them – so what this means is a decline in real income per capita.

Added to this are rising geopolitical tensions linked to the spat between China and the US, particularly around the Belt and Road Initiative, which the GCC countries – particularly the UAE and Oman – are investing heavily into. This is to further integrate the Middle East into China's global logistics and trade infrastructure. But it's unclear whether that will come at the cost of relations with the US. That the GCC no longer talks as one coherent bloc of countries compounds this risk, and diminishes the region's capacity to negotiate at the global level.

Finally, I am increasingly concerned that we may see armed confrontation with Iran. If you listen to the rhetoric of the top brass in the US, and their diplomatic activities within the Middle East, they seem to be setting the stage for war with Iran – not dissimilar to the build-up seen before the first gulf war with Iraq. Any armed confrontation would of course have dire implications for global oil prices, and the region more specifically.

Bonds & Loans: As the largest economy in the region, many look to Saudi Arabia for a sense of the trajectory many of the

region's economies are on, particularly in terms of reform. How would you assess GCC states' progress on diversifying their economies away from oil?

Nasser Saidi: This is one of the biggest challenges facing the region. It has become quite obvious since the collapse in oil prices that this is not cyclical, but structural, which means the region's governments need to target diversification in three major ways: trade diversification, in the sense that these countries need to wean themselves off their overreliance on oil exports; production diversification, so moving away from oil to non-oil activities and services; and government revenue diversification.

Saudi Arabia is the biggest economy in the Arab world, followed by the UAE. What happens in Saudi Arabia is important because of its size, and the economic benefits that its neighbours enjoy through trade. But it's also to some extent a litmus test on the success of reforms in the region. What has been proposed in Saudi Arabia, in terms of modernisation efforts included in the National Transformation Plan and Vision 2030, is really the mother of all reform efforts in the region, and all the countries in the GCC need the country to succeed in this endeavour. Failure will invite a backlash from more conservative segments of leadership, and potentially, large pools of the population, but it will also weigh on the development of neighbouring economies as they depend heavily on the opening of the Saudi economy to boost their prospects.

Bonds & Loans: There continues to be significant optimism around Egypt's economic prospects, but some of its fundamentals – like youth unemployment, and productivity – are worrying. Do you think the country can achieve its ambitions without a fairly radical shift away from how the economy is managed?

Nasser Saidi: It's an important point, but we should also pay heed to what has been achieved so far. The IMF, and its regional peers like the UAE, Saudi Arabia, and Kuwait, have lent substantial support to the country – in large part because the country is too big to fail. We've seen a rise in

interest rates and greater monetary policy freedom, with inflation trending down towards 8.5% from peaks in excess of close to 30% in 2017. We've seen a partial reform of fuel subsidies, price adjustments in the power sector, and a decline in recorded unemployment over the past couple of years, with some facilitation by Egypt's neighbours of youth participation in their labour markets.

The country needs to reconsider its state-led development strategy, which means PPPs and privatisation need to move further up the policy agenda. But it comes with a warning. Under Mubarak, the beneficiaries of privatisation largely included the coteries around the leader – including his family. There was no trickle-down, in other words, and that issue still remains; addressing this would also help address unemployment. What this also means is that the country needs to achieve a transformation away from strong dependence on agriculture and the Nile, which remains its lifeline. This can be achieved through the dispersion and increased use of technologies and modern techniques in the agricultural sector to raise productivity and reduce dependence on dwindling water supplies, as we are seeing increasing desertification. More broadly, the industrialisation strategy undertaken by Egypt – which has been largely military or state-led – cannot be the future; this applies as well to the GCC governments, which also need to foster a more vibrant and prominent private sector.

Economic reforms – like the removal of subsidies, increasing cost recovery through public services – require a new social contract. We have the beginnings of one, but it's not there yet.

More crucial is the issue of overall governance. What you effectively have is a government within a government. President Sisi has consolidated power and is looking for a renewal of his mandate, not unlike Erdogan in Turkey, and there is a high level of concentration of power; parliament in Egypt has largely become a Potemkin parliament. The question of inclusiveness – politically, economically, socially – looms

large.

Bonds & Loans: The UAE economy has undergone a significant transformation over the past decade. Can the country continue to thrive if it does not adjust to shifting demographics on the ground via the changing nature of labour migration?

Nasser Saidi: The situation in the UAE is different to that of Saudi Arabia and its neighbours in the sense that it is much more diversified. Dubai contributes about 40% of the UAE's GDP, if you include the Emirate's free zones – where a range of multinational private corporates operates. It has been able to secure significant foreign investment, much more FDI than others in the region. This is due to the quality of core infrastructure and logistics hubs, rule of law, and free zones.

For a long period, the country attracted a great deal of low-skilled, low-cost labour to build that infrastructure. Much of that infrastructure has now been achieved, which means moving onto the next phase: modernisation and digitalisation of the economy. But it will take a long time before modern sectors emerge as strong contributors to GDP, as well as human capital; that labour needs a viable pathway to remaining in the UAE for the long-term.

There have been a number of reforms addressing this. There is a 10-year residency visa for export specialists; 100% foreign ownership is now allowed in non-strategic sectors of the economy; there is the prospect of allowing companies operating in free zones to secure dual licenses that allow them to operate both onshore and in free zones. This is the beginning of a much longer-term liberalisation effort that will foster long-term residents.

But over the long-term, the country may do well to move towards the Swiss model. If you look back at Switzerland's history, and the development of its infrastructure, it was largely developed at a time when the country was overwhelmingly agrarian by nature. It has turned itself into a strong services hub for Europe and the rest of the World by strategically investing in key sectors, but it also reformed

the way in which expat workers could obtain long-term residency and, eventually, citizenship, turning a transient working population into a strong contributor to GDP composed of long-term residents.

Creating permanent economic citizens has many benefits. It is helpful in terms of balance of payments; in building a social security system and long-term investment pools, which goes hand in hand with deepening the capital markets and the insurance and pension segments. It also means the development of a true middle class, which means moving away from a model based on tourism to one that fosters more organic, domestic support of key sectors; but it also means diverging from the country's existing overreliance on real estate and hospitality, which is unsustainable in its current form.

From Frontier to Emerging: Does Market Reclassification Matter?

<http://nassersaidi.com/wp-content/uploads/2012/03/From-Frontier-to-Emerging-Does-Market-Reclassification-Matter.pdf>

DIFC Economic Note 19, titled [From Frontier to Emerging – Does Market Reclassification Matter?](#), discusses and compares the market classification criteria and methodology used by the various index providers, including MSCI, noting the similarities and differences. MSCI have indicated that the UAE and Qatar are being considered for re-classification from Frontier to Emerging market status, subject to a number of reforms. Evidence on the effects of reclassifications in both developed and developing economies is studied in this paper

and we find that while MSCI have undertaken some 14 reclassifications over the years, six of them have been downgrades while there have been no reclassification from Frontier to Emerging, yet.

Using past examples of classification changes, this paper examines the short- and long-term impacts of the reclassification – including an empirical analysis of the effects on markets returns of the classification of Egypt and Morocco as emerging markets. Our results indicate that the initial announcement of a potential reclassification leads to an “overshooting” with investors speculatively bidding up securities prices and returns prior to the actual reclassification event, leading to almost no impact post-reclassification. Additionally, too much emphasis is placed on a potential market reclassification, with many forgetting that reclassifications are best viewed as signaling a confirmation of policy reforms and changes in market conditions, which trigger the reclassification. Thus, there is an identification effect whereby improved market conditions, which are a result of policy actions and reforms (leading to a reclassification), could empirically be attributable to the reclassification itself.