

GCC-UAE: Growth & Transformation

Presentation to UCL MBAs

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Dubai, 6 Jan 2025

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— & ASSOCIATES —

MENA Challenges & a New World Order?

**Shifts in Global
Economic
Geography**

**Changing Trade
Patterns & Supply
Chains**

Energy Security

**Climate Change
Energy Transition**

**Rapid Technological
change & innovation**

Food Security

**Trade & Tech Wars /
Cold War II**

**Increased Defence
Spending**

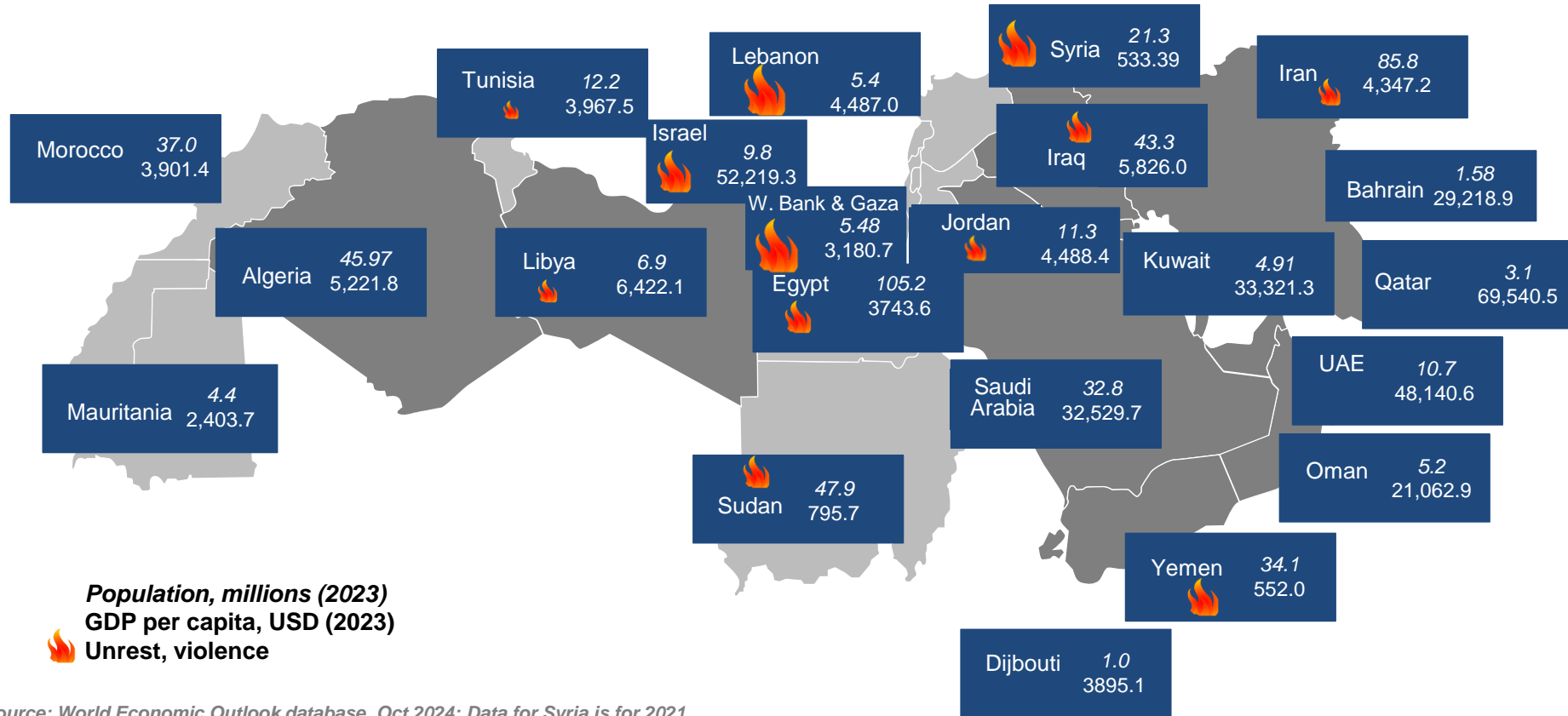
**BRICS+ & new
institutions**

Global economy is resilient, growing steadily by 3.2% in 2024 and 2025 – but at divergent paces

	2021	2022	2023	2024	2025
US	5.9	2.1	2.9	2.8	2.2
Euro Area	5.3	3.5	0.4	0.8	1.2
Emerging & Developing Asia	7.4	4.5	5.7	5.3	5.0
Latam & the Caribbean	7.0	3.9	2.2	2.1	2.5
Middle East & North Africa (MENA)	4.1	5.4	1.9	2.1	4.0
<i>GCC</i>	<i>4.3</i>	<i>7.0</i>	<i>0.4</i>	<i>2.4</i>	<i>4.9</i>
<i>UAE</i>	<i>4.4</i>	<i>7.5</i>	<i>3.6</i>	<i>4.0</i>	<i>5.1</i>
<i>MENA oil importers</i>	<i>3.3</i>	<i>4.5</i>	<i>1.8</i>	<i>2.4</i>	<i>4.0</i>
Sub-Saharan Africa	4.7	3.9	3.6	3.6	4.2
World	6.2	3.5	3.3	3.2	3.2

MENA: Wide Inequality in Incomes, Wealth & Resources

Drivers of growth: Demographics & Rapid urbanisation; Energy Transition; accelerating trade & investment links with Africa, China & wider Asia; Digital transformation; emergence of GCC Falcons



Geo-Political Landscape: Axis of Resistance vs Others vs ROW

عدو عدوي هو صديقي ; أنا وأخي على ابن عمي وأنا وابن عمي على الغريب ROW

	Egypt	EU	Hamas	Hezbollah	Iran	Iraq	Israel	Palestinian Authority	Qatar	Saudi Arabia	Turkey	US
Egypt												
EU												
Hamas												
Hezbollah												
Iran												
Iraq												
Israel												
Palestinian Authority												
Qatar												
Saudi Arabia												
Turkey												
US												



Friends



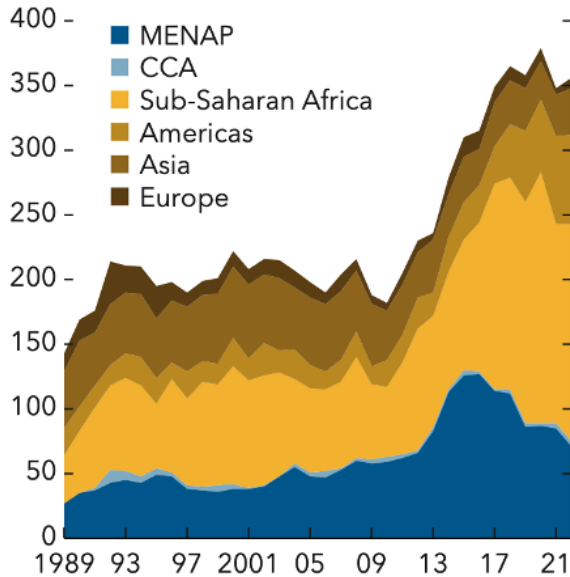
It's complicated



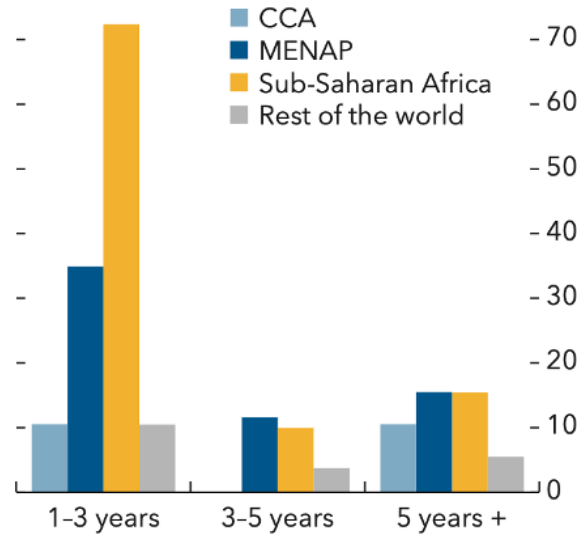
Enemies

MENAP civil wars & state-based conflicts have become more frequent: more fragile and vulnerable countries

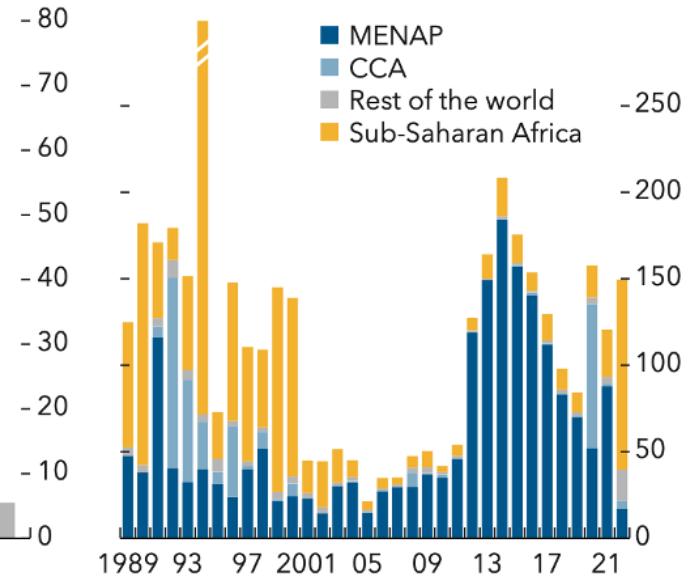
Conflicts by Region
(Number)



Duration of Conflicts
(Conflict incidence per bn of 2022 total population)



Conflict-Related Deaths
(Per mn, by year)

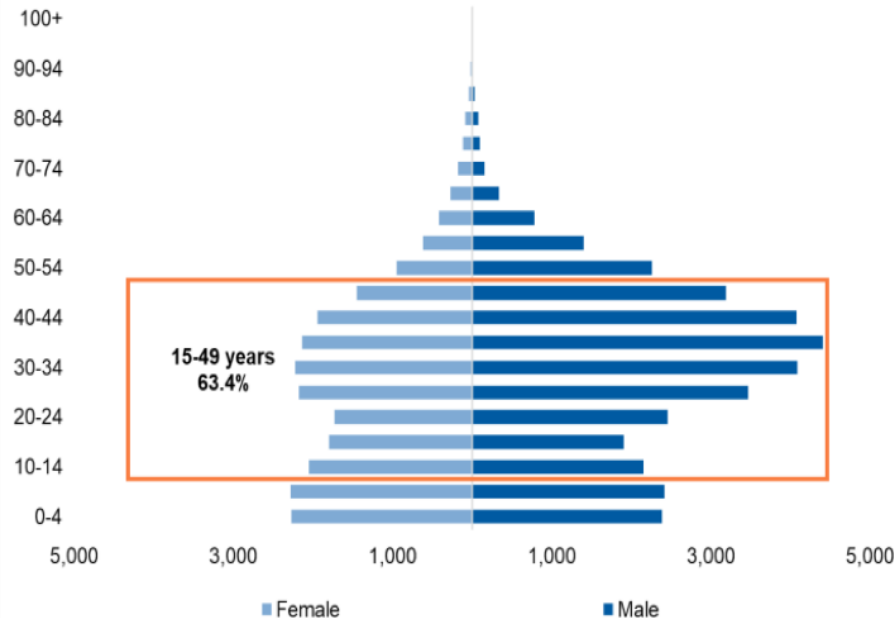


Young age distribution of GCC countries. Labour markets dominated by expatriate workers.

GCC countries					
	Year	+60	+65	+70	+80
Bahrain	2023	7.3	4.0	2.1	0.5
Kuwait	2023	10.1	5.4	2.6	0.5
Oman	2023	4.6	2.8	1.6	0.4
Qatar	2023	3.5	1.6	0.7	0.2
KSA	2023	5.8	3.1	1.5	0.5
UAE	2023	3.6	1.9	1.0	0.4

Other countries					
	Year	+60	+65	+70	+80
Japan	2023	36.1	30.1	24.2	10.8
Switzerland	2023	26.3	19.7	14.3	5.7
Denmark	2023	26.8	20.7	15.2	5.3
UK	2023	25.6	19.5	14.3	5.3
US	2023	23.9	17.6	11.9	4.0

GCC Population Age Distribution

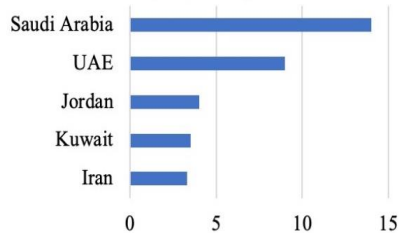


Source: PwC, Alpen Capital

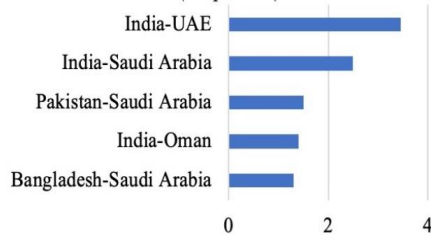
MENA Labour linkages stronger than trade & capital flows

- **Five MENA nations feature in the top 20 migrant attracting nations globally** (by number of persons). Egypt to Saudi and UAE are major migration corridors.
- **Remittances** have been the **largest & relatively most steady source** of external resource flows for MENA
- In **Lebanon**, remittance receipts represent 27.5% of GDP and account for 80%+ of total external resource flows
- **West Bank & Gaza** experienced a sharp drop in flows in 2023, carrying ratio of remittances to GDP to 18.8%

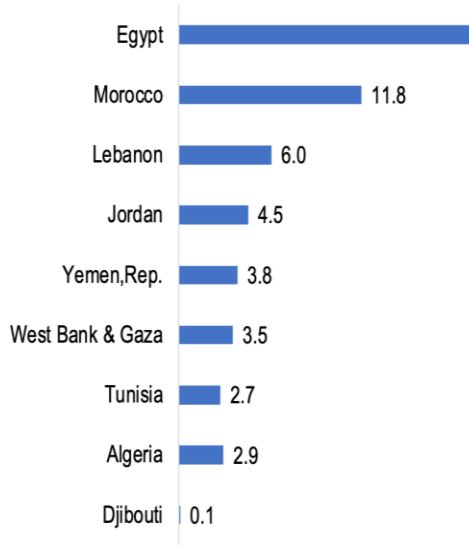
5 MENA nations feature in top 20 migrant countries, 2019
(mn persons)



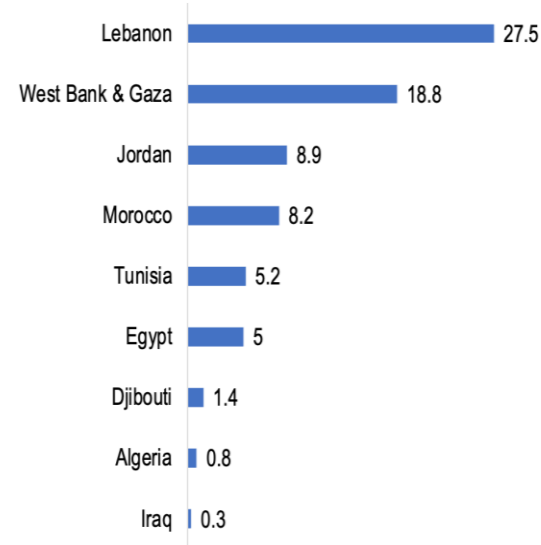
Among top 20 migration corridors from Asia are 4 to GCC, 2019
(mn persons)



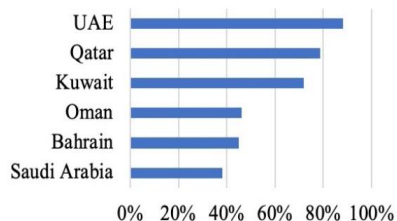
Top Remittance Recipients in MENA, 2023
(USD bn)



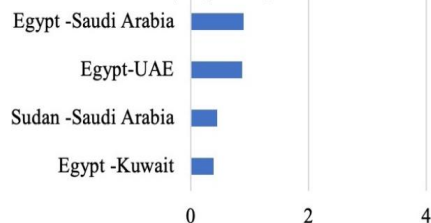
Top Remittance Recipients in MENA, 2023
(as % of GDP)



Migrants as % of population in GCC, 2019



Among top 20 migration corridors from Africa are 4 to GCC, 2019
(mn persons)



Climate change & depletion of natural resources in MENA is a threat multiplier...

MAJOR CLIMATE RISKS

- Precipitation variability
- Drought risk
- Heatwave
- Desertification
- Coastal erosion
- Urban heat land effect
- Emerging health risks
- Flooding
- Risks of water scarcity
- Agricultural productivity losses

SOCIO – ECONOMIC CONTEXT

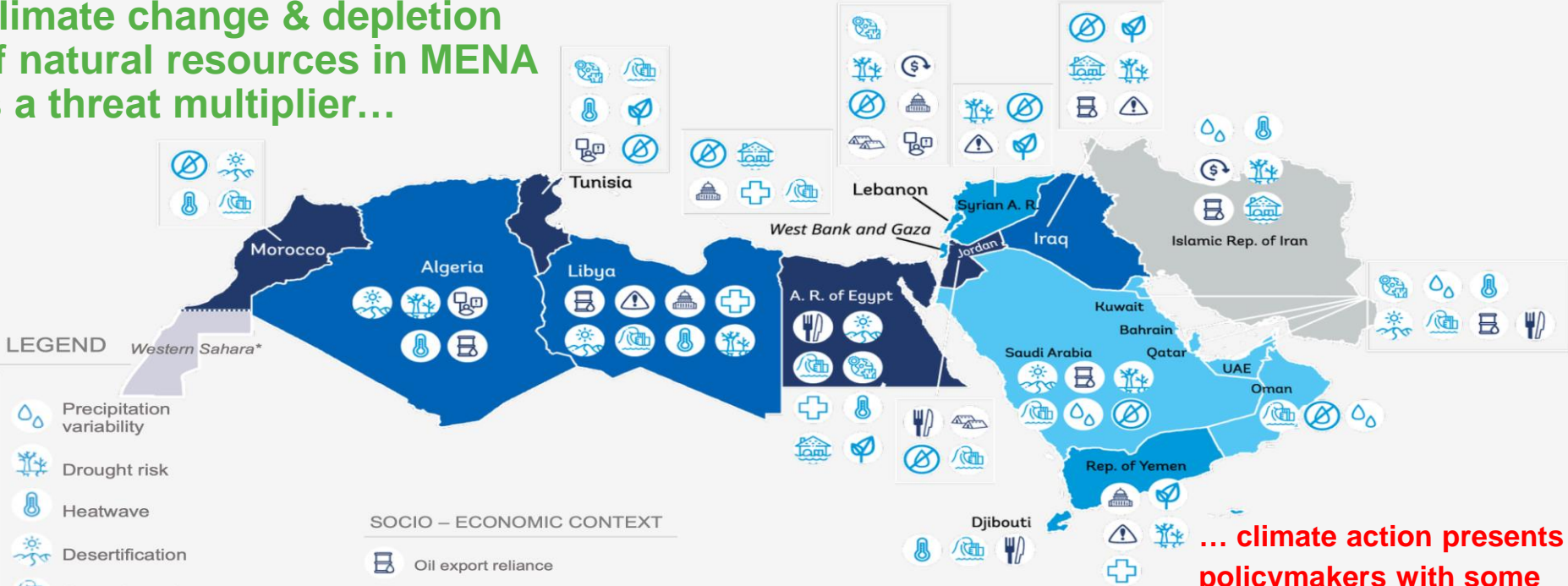
- Oil export reliance
- Financial and or economic crisis
- Protests and social unrest
- High and medium intensity conflict (Libya, Syria, Iraq, Yemen)
- Food import dependency
- High institutional/social fragility (Lebanon, WB&G)
- Spill overs from conflict (Jordan, Lebanon)

ECONOMIC STRUCTURE AND GHG FOOTPRINT

- Hydrocarbon importers, moderate GHG footprint
- Hydrocarbon exporters, moderate GHG footprint
- FCV, low GHG footprint
- Hydrocarbon exporters, high GHG footprint (GCC)
- Hydrocarbon exporter, high GHG footprint (Iran)

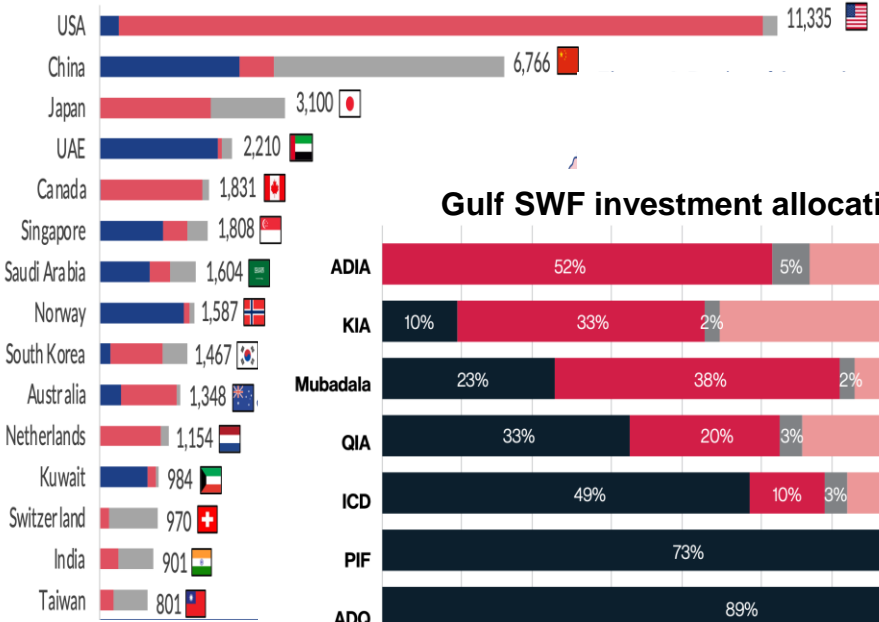
... climate action presents policymakers with some difficult trade-offs

* data unavailable

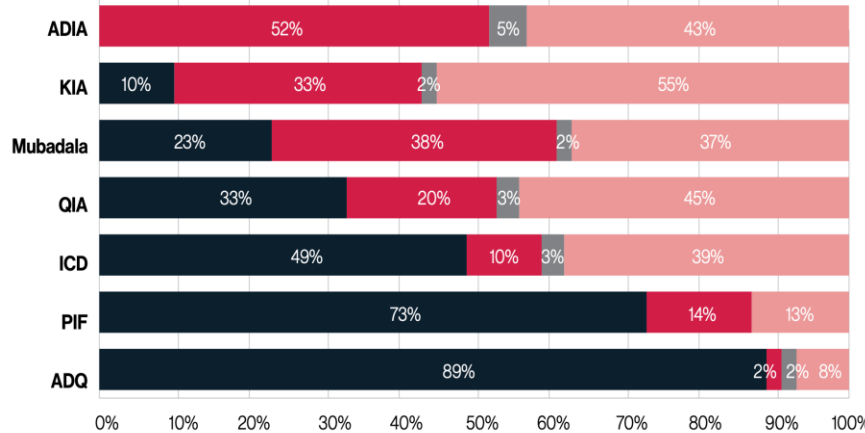


GCC SWFs are growing their domestic role, pivoting to Asia & are among the largest state-owned investors in renewable energy

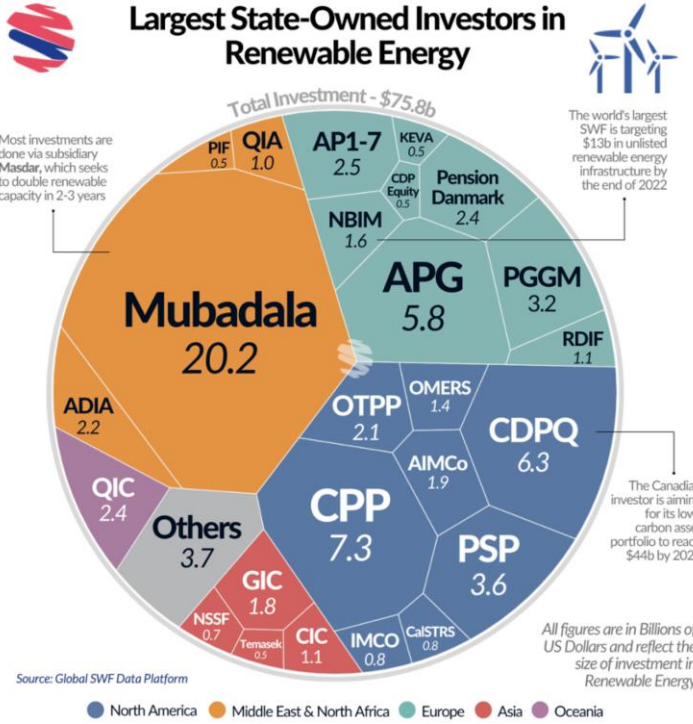
Top 15 Countries by State-owned Investors (US\$ bn)



Gulf SWF investment allocations by region



Domestic
 US
 China
 Rest of the World



Source: Global SWF 2024 Annual Report (published Jan 2024) www.globalswf.com; "The Middle East Pivot to Asia: Growing Gulf-Asia cooperation in a new era", HSBC-Asia House report, Nov 2024



MENA Economic Prospects will be heavily influenced by GCC's strategies & policies

Qatar, Saudi & UAE
are implementing
**Economic
Diversification 2.0**

**Drivers of GCC
structural
transformation:**

**Emergence of
the GCC Falcons**

Energy: Global
energy transition and
investments in RE &
Climate resilient
infrastructure =>
**New Global Energy
Map**

**Regionalised
Globalisation:**
transformation of
the GCC-linked
region including
MENA, East
Africa;

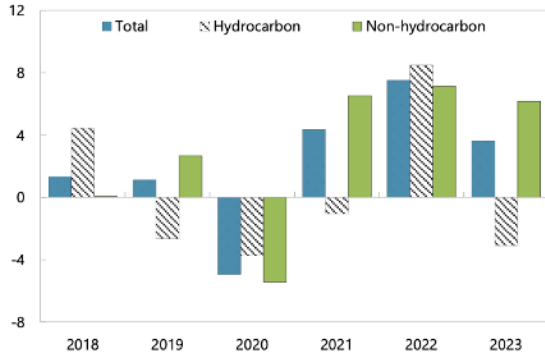
**Privatisation,
PPP, Capital
Market
Development,**
efficient
management of
State assets,
labour market
liberalisation

Digitalisation &
modern
technologies (AI,
automation &
robotics)

UAE: A Macroeconomic Overview. Growing non-oil diversification

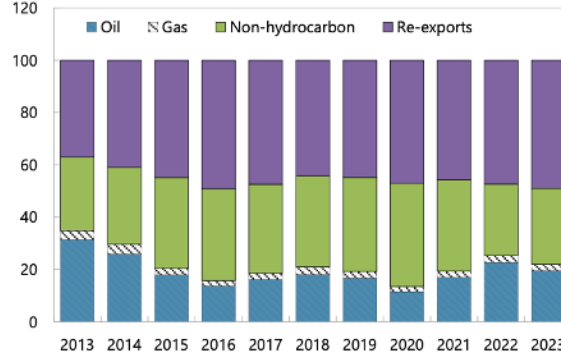
Real GDP Growth

(In percent, YoY)



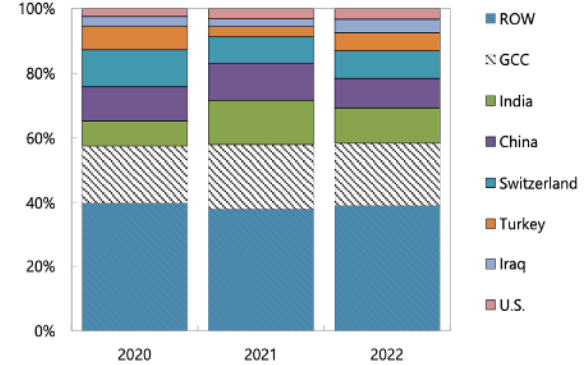
Export Composition

(In percent of total)



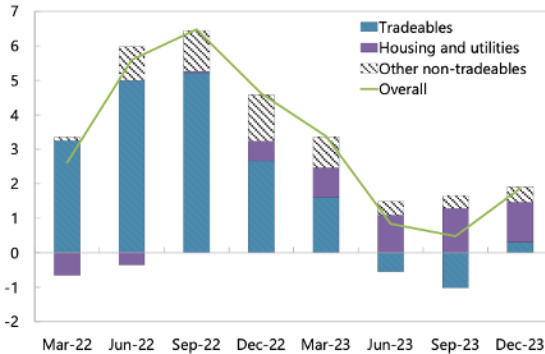
Non-hydrocarbon Exports Destinations

(In percent of total)



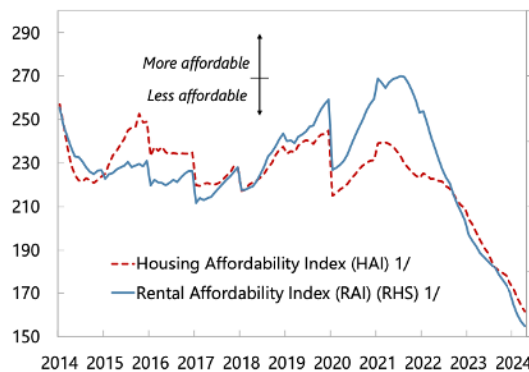
UAE Inflation Composition

(In percentage points, contributions by category)



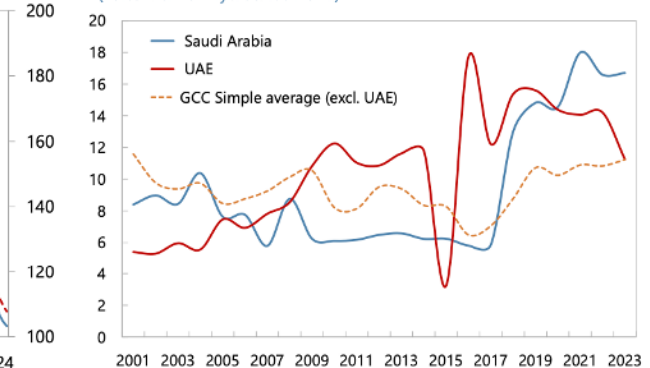
Apartment Affordability in Dubai

(Index)



Non-Hydrocarbon Revenue

(Percent of non-hydrocarbon GDP)



UAE's diverse population; budgets reflect social spending especially health and education

Total **population**: 9.52mn; Nationals are around 11% of total; around 88% urban

Gender split: 69% male 31% female

Literacy rate: close to 95%

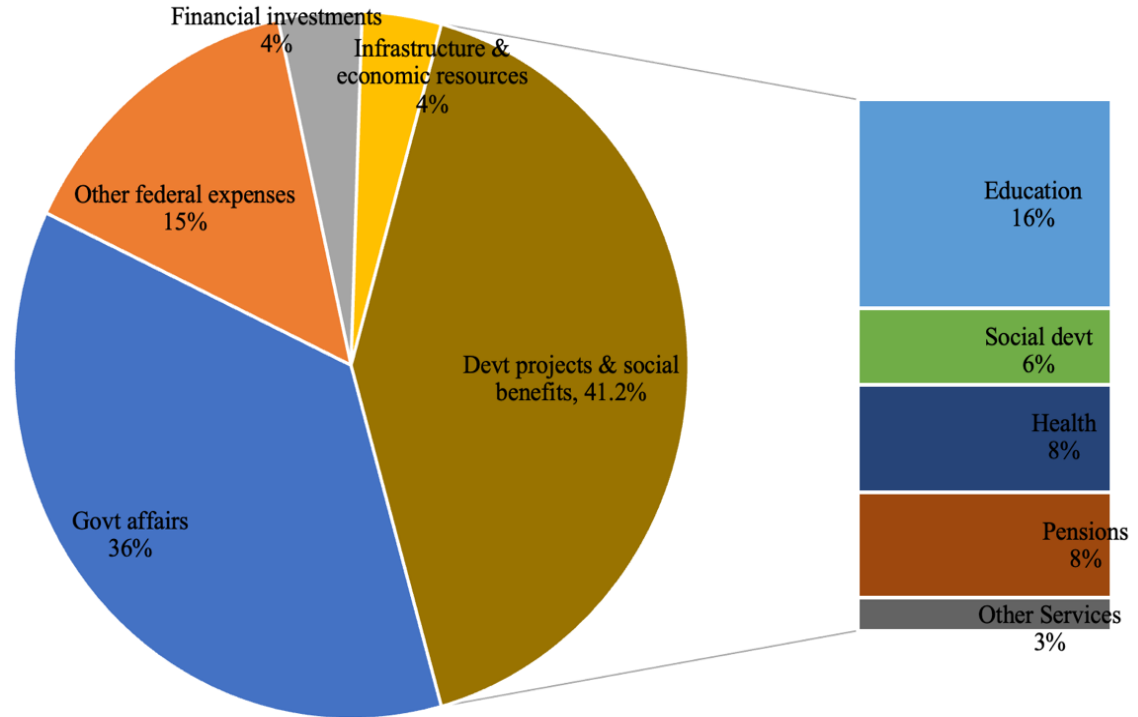
Labour force participation rate: 82.64% (2023); FLFPR: 55.35%

Unemployment rate: 2.7%; female: 4.3%; youth: 10.65%

High govt spending on education (16%) and **health** (8%). Needed given the surge in population

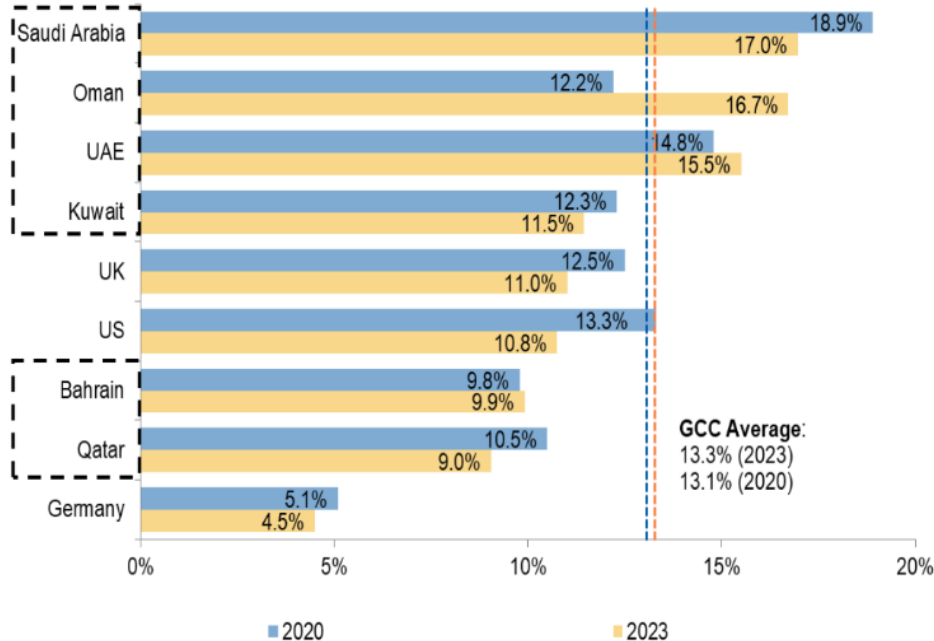
Dubai: 46% of spending on infrastructure & related, 30% on social (including health, education, research, housing & social support)

UAE's federal budget 2024 (Total expenditure: AED 64.1bn)

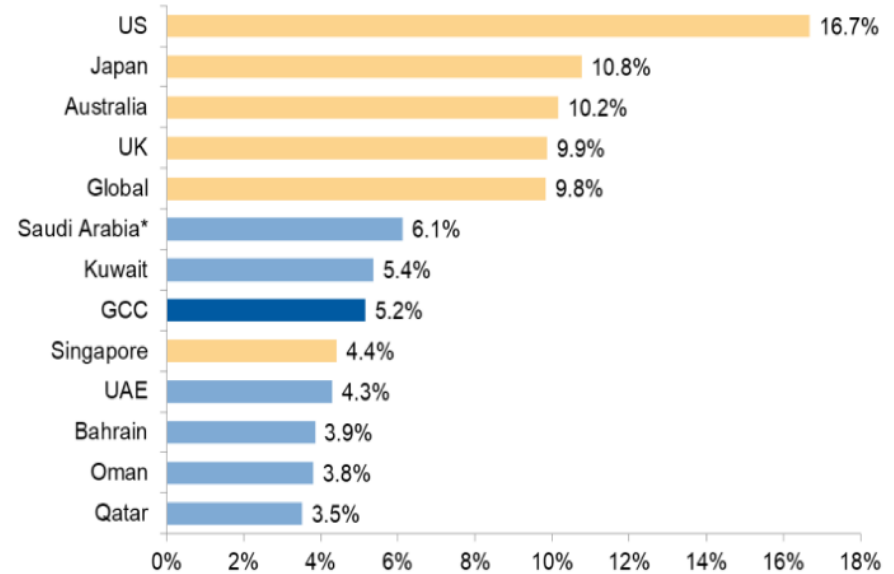


Spending on Education & Health is affected by growth in demand from the expat community

Government Spending on Education as a % of Total Budgeted Expenditure, by Country (2020 and 2023)



Current Healthcare Expenditure per capita in GCC > global avg, but not as % GDP



The “Dubai Model” of Economic Development

Economic Diversification

- Low dependence on oil
- High contribution of services sector
- 3Ts: Trade, Tourism & Transportation
- Pro-business Government
- Dynamic Business environment

Openness & Reform

- Business & startup-friendly ecosystem including sandboxes (DIFC, ADGM)
- Property law reform
- Favourable Tax Structure
- 100% foreign ownership exc. specific sectors



Infrastructure & Demographics

- Young fast-growing population
- Long-term residency visas attracting skilled workforce
- Major emphasis on Infrastructure: aerotropolis
- World-class infrastructure & logistics

Economic Clustering

- FZs, SEZs resulted in: Competition, FDI & Economies of Scale
- “New” sectors growing hand-in-hand with “old”: AI, Blockchain, Virtual Assets
- More than 20 operational Free Zones
- Advantageous Time Zone

Dubai's Free Zones are PPPs



PPP is common across multiple sectors in the UAE

Infrastructure & Transport

- Dubai Metro (Red & Green Lines)
- Abu Dhabi's Strategic Transport Projects (Yas Island, Abu Dhabi Metro)
- Etihad Rail

Energy & Utilities

- Shams 1 solar power plant (Abu Dhabi) – one of the largest CSP plants
- Noor Abu Dhabi Solar Project (largest single-site solar project)
- Water & wastewater project (e.g. Fujairah F3 independent Water & Power project)

Healthcare

- Dubai Healthcare city (free zone)
- Al Qassimi Hospital (Sharjah): govt entered a partnership w/ pvt firms
- Abu Dhabi Health Services Co (SEHA)

Real Estate & Urban Development

- Expo 2020 Dubai
- Masdar City (Abu Dhabi)
- Dubai Creek Harbour (JV between Emaar & Dubai Holdings)

Finance & Banking

- Sukuk issuances
- DIFC & ADGM – partnership ecosystem supporting financial innovation

UAE is a Soaring Falcon Economy; New Investment Opportunities

Diversification 1.0

- Population surges: young demographics + immigration
- Melting Pot of nationalities, cultures, races, religions, ethnicities = innovation
- Build-up of world standard hard & soft infrastructure, transport & logistics
- SEZs as a means of clustering, diversification & private sector development, FDI
- Liberalisation of rights of establishment, trade, FDI
- Sound & efficient legal & regulatory frameworks
- International Financial Centres (ADGM, DIFC, KAFD, QFC) & SWFs to manage & deploy region's Wealth and Assets

Diversification 2.0: Soaring Falcon

- Benefit from global decoupling/ fragmentation
- Digitalisation + New Tech sectors (Fintech, DeFi, Space, AI, transversal tech)
- New, emerging Global Energy Map & energy transition
- Attracting specialized human capital + more labour mobility
- New economic partners (CEPAs, FTAs)
- Regionalised Globalisation: Driving & supporting Regional Economic Integration.
- Moving towards sustainable development, NZE, addressing climate change risks.
- Greater macro stability: output, trade, revenue diversification

Driving factors: Political stability, absence of burden of legacy systems (tech, regulations/ legal), sound macroeconomic policies & reforms, low taxation, peg to the \$, no financial crises

Key Takeaways

- **Global GeoEcoPol landscape is fragmenting & transforming. Shift in Global Economic Geography towards Emerging Asia.**
- **MENA is a region with wide inequality in incomes, wealth & resources**, with long-term scarring from wars, conflicts & growing climate change risks.
- **GCC are emerging “Middle Powers”**: MENA’s economic prospects will be heavily influenced by GCC’s strategies & policies
- **Economic growth in the UAE**, 2nd largest GCC nation, remains strong, driven by robust domestic activity. **Growing non-oil diversification** has been supported by ongoing reforms (including PPP)
- **UAE’s young, growing & diverse population**, with a large expat community, has necessitated large investment on infrastructure and social spending, including health & education
- **“Dubai Model” of Economic Development based on economic diversification & clustering, infrastructure investment & attracting human capital, openness & liberalisation.**
- **UAE/Dubai will benefit from global decoupling/ fragmentation**, diversifying into new tech sectors (including AI, Clean Energy, ClimateTech and HealthTech)

Sheikh Zayed Road, Circa 1990



Sheikh Zayed Road, Circa 2002

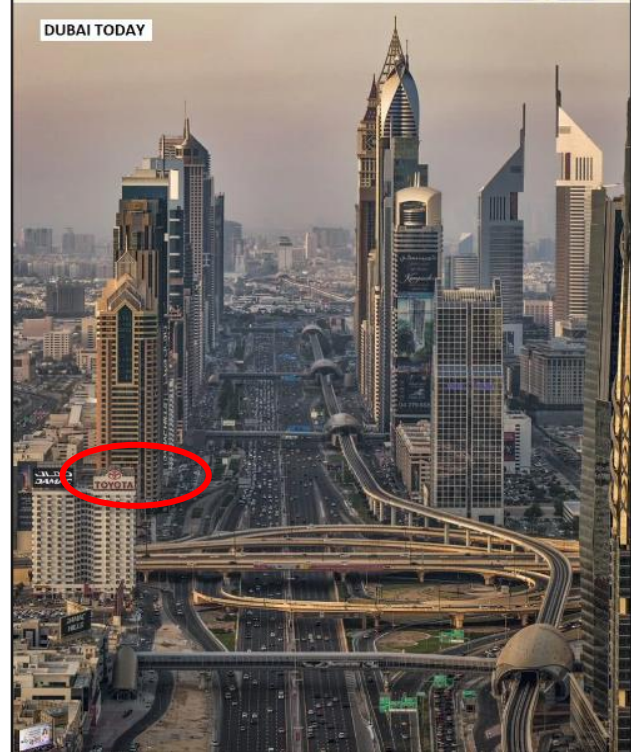




Sheikh
Zayed
Road,
recent



DUBAI 1984



DUBAI TODAY

GCC-UAE: Growth & Transformation Q&A

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