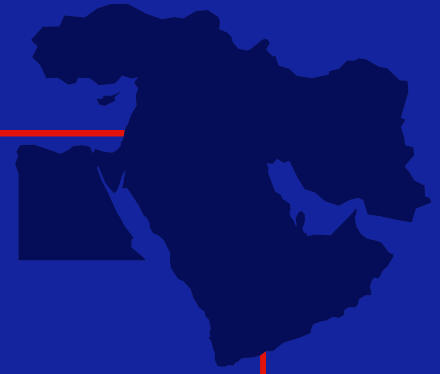


# Middle East

**Middle East global ascent: strategic shifts, diversification and market expansion in the Middle East's economic landscape**



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The Middle East is expected to record growth of 2.3% in 2024 as the region continues to benefit from favourable commodity prices. The region is also using commodity profits to expand into different sectors and new markets, further fuelling growth.<sup>1</sup>

Export growth is expected to reach 3.8% in 2024, the third fastest-growing market after Asia-Pacific and Africa. The region's strong growth in imports for 2023 is expected to slow to 4.6% growth in 2024.<sup>2</sup> Executives, while being more optimistic than the forecasts, point to the positive momentum affecting regional trade patterns. The outstanding growth in imports is justified by the windfalls from energy exports that are increasing output levels of domestic firms.<sup>3</sup> In fact, according to 42% of surveyed supply-chain executives in the Middle East, the leading factor driving growth in their firm's exports is increasing output levels driven by growing levels of demand.



<sup>1</sup> The Economist Intelligence Unit (EIU). Middle East: one-click report. [<https://viewpoint.eiu.com/analysis/geography/XQ/reports/one-click-report>]

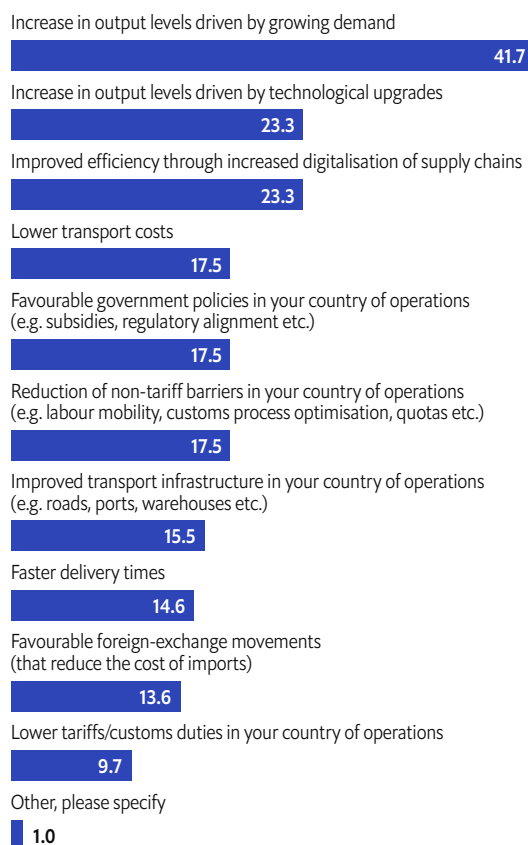
<sup>2</sup> World Trade Organization. Global Trade outlook and Statistics. Update: October 2023. [[https://www.wto.org/english/res\\_e/booksp\\_e/gtos\\_updt\\_oct23\\_e.pdf](https://www.wto.org/english/res_e/booksp_e/gtos_updt_oct23_e.pdf)]

<sup>3</sup> [https://www.wto.org/english/res\\_e/booksp\\_e/gtos\\_updt\\_oct23\\_e.pdf](https://www.wto.org/english/res_e/booksp_e/gtos_updt_oct23_e.pdf)

## Middle East global ascent: strategic shifts, diversification and market expansion in the Middle East's economic landscape

### Figure 1: What factors are likely to be the primary growth drivers for your firm's imports (purchases of inputs excluding labour) in 2024?

Respondents were asked to select up to two



Source: Economist Impact Trade in Transition survey, conducted September-November 2023.

### Shifting to more diversified economies

While the region's biggest economic players will continue to benefit from a favourable export environment for energy commodities such as oil and natural gas, there are clear ambitions to diversify gulf economies away from a reliance on hydrocarbons by pursuing ambitious economic development plans. The Gulf region is deploying hydrocarbon profits to diversify their economies and other export-oriented sectors such as technology, logistics, tourism and renewable energy.<sup>4</sup> This presents an opportunity for businesses to harness higher value-add manufacturing and service-based sectors. In the UAE, one of the leading Middle Eastern economies, non-oil trade grew 14.4% in the first half of 2023, compared with the same period in 2022.<sup>5</sup> Similarly, since the launch of Saudi Arabia's Vision 2030, the country is attracting significant amounts of foreign investment, particularly into its construction and manufacturing sectors, as it seeks to realise new urban ambitions.<sup>6</sup>

Despite Middle Eastern countries diversifying their revenue streams, there is also evidence that businesses in the region are diversifying their supply chains to hedge against disruptions and enable faster times to market. Indeed, 43% of executive respondents in the Middle East suggest they are diversifying their firm's supplier base, working with a larger number of suppliers across different geographies. Businesses are also carrying significant additional inventory to prioritise resilience. Nearly half (45%) of executives are factoring one- to three-month buffer times into their supply chains, the highest across all regions surveyed. While it ties up capital, it also increases resilience and enables business continuity if faced with any additional shocks.

<sup>4</sup> EIU. Middle East: one-click report. [<https://viewpoint.eiu.com/analysis/geography/XQ/reports/one-click-report>]

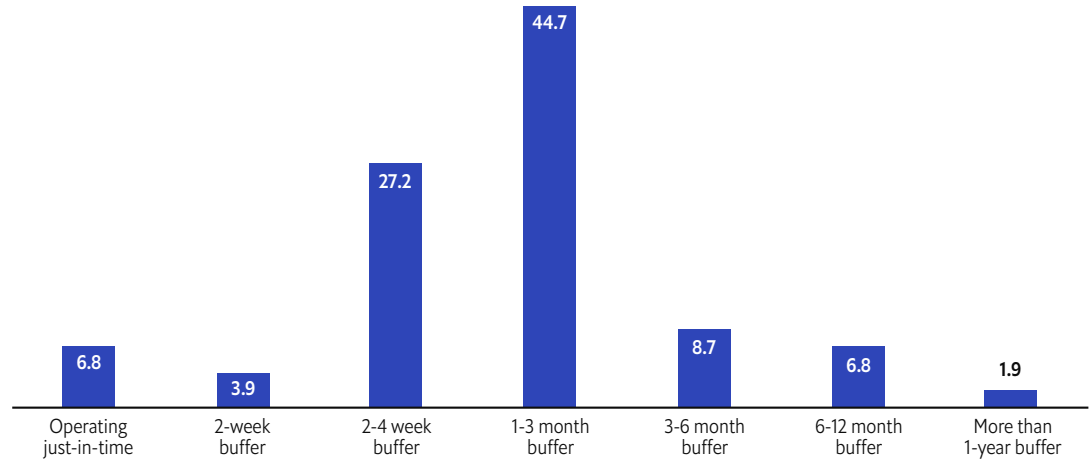
<sup>5</sup> United Arab Emirates Ministry of Foreign Affairs. "UAE non-oil foreign trade hits all-time high of AED1.239 trillion in H1 2023." [<https://www.mofa.gov.ae/en/mediahub/news/2023/8/31/31-8-2023-uae-mohamed-bin-rashed>]

<sup>6</sup> Global Trade Review. "How the Mena region is reshaping trade for the future." [<https://www.gtreview.com/supplements/gtr-mena-2023/how-the-mena-region-is-reshaping-trade-for-the-future/>]

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Figure 2: To what extent is your company carrying additional inventory as a buffer against supply-chain disruptions?

Respondents were asked to select one option



There are clear ambitions to diversify gulf economies away from a reliance on hydrocarbons by pursuing ambitious economic development plans.

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**Leveraging neutrality to successfully expand into new markets**

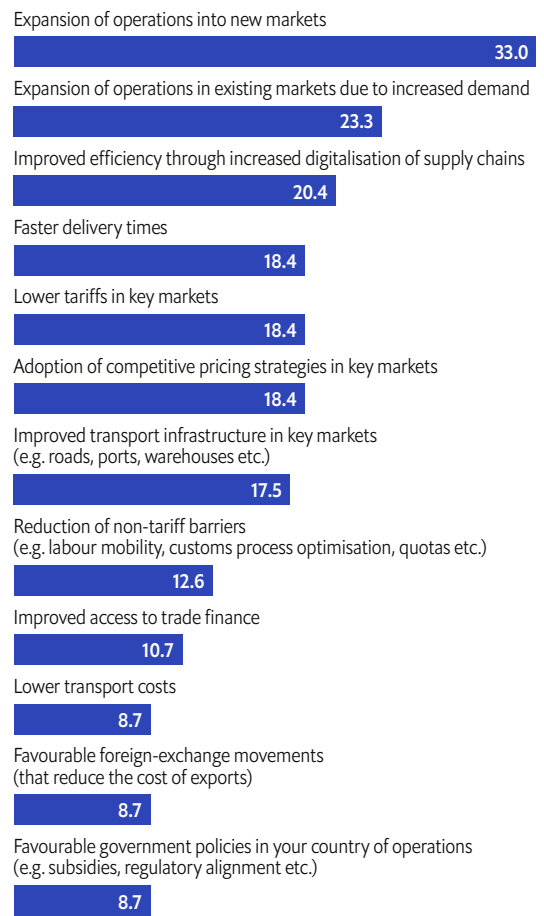
The shift towards economic diversification has been coupled with the opening up of new markets and trade routes, both within the region and with other regions, particularly across Asia-Pacific and Africa. Governments will seek to prioritise expansion of non-oil exports into these new markets to support diversification efforts. In fact, 33% of business executives surveyed in the Middle East believe the primary growth driver of their firm’s exports in 2024 will be the expansion of operations into new markets.

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Since early 2022, some leading economies in the Middle East, like the UAE and Saudi Arabia, have embarked on a major push to strengthen trade ties with partners outside of the immediate Gulf region, and further integrate their economies with partners in Asia-Pacific. For example, the UAE signed an FTA with Georgia, potentially doubling non-oil trade between the two countries in five years.<sup>7</sup> The Gulf state is currently negotiating comprehensive economic partnership agreements with South Korea, Thailand and Chile.<sup>8</sup> Similarly, Saudi Arabia is seeking to strengthen trade ties with China.<sup>9</sup>

**Figure 3: Which factors are likely to be the primary growth drivers for your firm’s exports (international sales revenue) in 2024?**

Respondents were asked to select up to two



Source: Economist Impact Trade in Transition survey, conducted September-November 2023.

<sup>7</sup> Kamel, Deena. <https://www.thenationalnews.com/business/economy/2023/10/10/uae-georgia-cepa-deal-to-add-4-billion-to-national-gdp-by-2031-minister-says/>

<sup>8</sup> <https://www.arabnews.com/node/2389431/business-economy>

<sup>9</sup> <https://www.reuters.com/world/middle-east/gcc-china-free-trade-deal-must-protect-emerging-gulf-industries-saudi-minister-2023-06-11/>

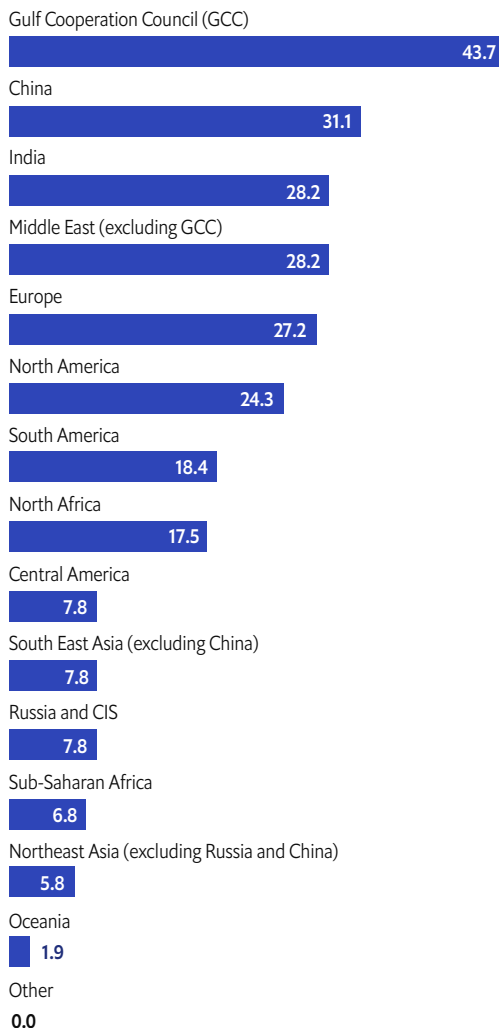
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According to the survey, while the Gulf Cooperation Council (GCC) remained the primary export market for Middle Eastern firms, China is the second most important export market and the most important import market. The importance of India in Middle Eastern trade has also increased since 2022, reflecting the trade deal signed between the UAE and India in that year. According to survey respondents, India is the third most important

export market and the second most important import market for Middle Eastern firms. The opening up of new markets through preferential trading arrangements creates valuable opportunities for businesses to expand their operations and build additional relationships with suppliers to augment their supply chains. Almost two-thirds (63%) of survey respondents indicate that bilateral trade agreements help their business’s supply-chain strategy.

**Figure 4a: In 2024, which region of the world will contribute the greatest international sales revenue to your firm - Exports**

Respondents were asked to select up to three



Source: Economist Impact Trade in Transition survey, conducted September-November 2023.

**Figure 4b: In 2024, which region of the world will contribute the greatest value of purchases to your firm - Imports (purchases of inputs excluding labour)**

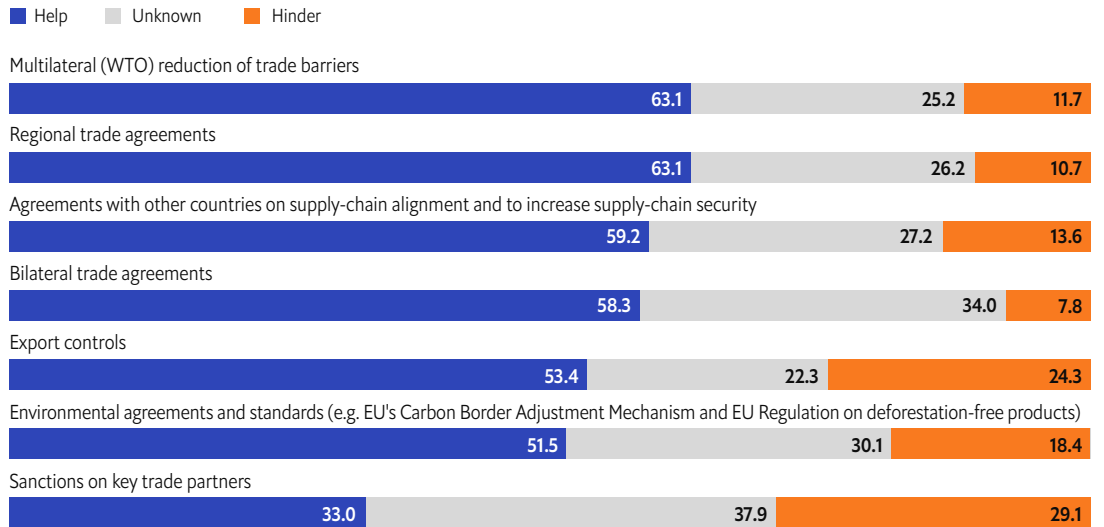
Respondents were asked to select up to three



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**Figure 5: Do the following government actions help or hinder your business’s supply-chain strategy?**

Respondents were asked to select one response per category



Source: Economist Impact Trade in Transition survey, conducted September-November 2023.

Middle Eastern business leaders will continue to leverage their agnostic geopolitical stance to expand into new markets, while diversifying away from hydrocarbon-dominated exports. Expansion into new markets in Asia and Africa, and the potential for new trade agreements with emerging economies, will continue to encourage businesses to not only capitalise on current growth prospects, but also strategically position themselves for unfolding opportunities in the ever-evolving global market.



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