

Economic SWOT

STRENGTHS

Oil Wealth

- The Middle East is home to the world's largest oil reserves, and this has enriched many regional governments and enabled them to invest in economic diversification.

Large Expatriate Populations

- There are a large number of Middle Eastern expatriates living across the world and these have positively contributed to development by sending funds and investing in their home countries.

OPPORTUNITIES

Weakened Economies

- The global economic turmoil has motivated investors in many corporations across industries to turn to the Middle East for future growth opportunities.

Development Opportunities

- Infrastructure is still underdeveloped in many countries, be it in terms of tourism, transportation or other types, and the time is therefore ripe for investors to contribute to developing this.

WEAKNESSES

Poor Governance

- Weak management of public affairs in many countries has led to corruption, poor delivery of services, poor tax administration, red tape that weaken the business environment.

Fast Growing Populations

- An increasingly young and expanding population across the region is creating employment issues, as many are left jobless, especially in some of the weaker economies.

THREATS

Political Instability

- Protests and revolutions plague more than one market in the region, and are now spreading to previously stable markets, creating negative perceptions of the region.

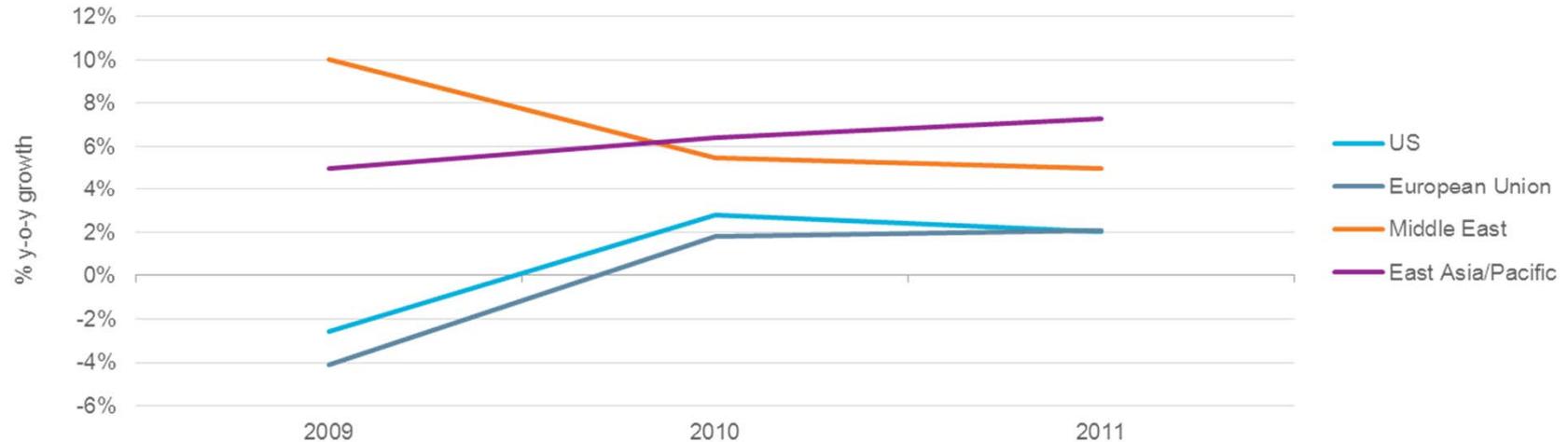
Strong Dependency on Oil

- Many regional economies remain reliant on oil revenues. Price fluctuations in the sector can therefore be dangerous.

GDP growth picks up in 2010, before slowing down again

- The Middle East has weathered the economic downturn better than most global markets, with healthy GDP growth rates in 2009 and 2010. That said, there were some significant repercussions on the regional economies during the downturn, but the recovery was speedy.
- In terms of GDP growth in 2009 and 2010, the Middle East came second to the East Asia-Pacific region, and is expected to continue outperforming the US and the EU.
- However, the region is predicted to experience a decline in GDP growth in 2011, following the Arab Spring, with the average GDP growth rate for the region expected to decline from 5.5% in 2010 to 5.0% in 2011. Egypt is expected to see GDP growth of just 1% in 2011.

GDP % Growth by Key Region 2009-2011



Source: World Bank, Euromonitor International

The Arab Spring puts pressure on GDP growth

Renewed Turmoil

- A new type of crisis is unfolding in the Middle East and North Africa in 2011, making short-term growth prospects for the region unclear.
- While some economies have been affected by the social and political unrest, higher oil prices are boosting economic growth in the region's oil-exporting countries like the UAE, Saudi Arabia and Qatar.
- Egypt, Tunisia, Libya, Syria and Yemen are likely to suffer the most, as some enter a period of transition while others continue to suffer from violence and uncertainty.
- One of the key winners in the region is Qatar, which is banking on the expansion of its natural gas production and state-led investment.
- Qatar is expected to remain amongst the world's fastest growing economies, with forecast real GDP growth of 20.0% in 2011. In 2012, however, the country's real GDP growth is expected to slow significantly to 7.1%.

MENA: GDP % Growth by Country 2010-2015

	2010	2011	2015
Qatar	16.3	20.0	4.3
Tunisia	3.7	1.3	6.4
Kuwait	2.0	5.3	5.4
Morocco	3.2	3.9	5.5
Egypt	5.1	1.0	6.0
Jordan	3.1	3.3	5.5
UAE	3.2	3.3	4.4
Bahrain	4.5	5.0	5.2
Saudi Arabia	3.7	7.5	4.7
Syria	5.0	1.5	5.5
Yemen	8.0	2.0	4.5

Winners and losers emerge

- Several markets were affected by uprisings and the associated violence, while other, more stable markets may take advantage of the unrest elsewhere by attracting more investment and more tourists.
- Dubai has seen a surge in demand since January 2011, as revolutions in other regional markets encouraged tourists to turn to safer destinations, like the UAE. Mövenpick hotels, for example, reported more than 80% occupancy at the Deira outlet during January and February 2011.
- International travellers have ceased to regard the Middle East homogeneous and having the same issues across all countries, and are better educated on the social and political differences that exist from market to market. Stable markets will thus continue to see growth in tourism.
- The Middle East is a tourism "hotspot", and the second fastest growing regional economy in the world, with average GDP growth standing at 5.5% in 2010, second only to East Asia-Pacific, with 6.4%.

