5TH GCC BUSINESS CONFIDENCE AND GOVERNMENT REFORM SURVEY 2012

AN OLIVER WYMAN - ZOGBY RESEARCH SERVICES SURVEY

JANUARY 2012

Long-term partnership to track private sector leadership confidence levels and economic reform priorities

Oliver Wyman

- **Background**
  - A global leader in management consulting with more than 35 years of experience and 3000 staff worldwide
  - Active in Middle East for over 20 years, with offices in Dubai, Abu Dhabi, and Riyadh
  - #1 consulting firm in quality (source: Corporate Executive Board)
- **Role in partnership**
  - Analyze data
  - Critically assess resulting trends
  - Brief senior government and private sector leaders

Plan

- **Completed polls:**
  - 1st poll: Oct. 2009
  - 2nd poll: May 2010
  - 3rd poll: Dec. 2010
  - 4th poll: May 2011
  - 5th poll: Dec 2011
- **Focus on KSA, UAE, and Qatar**

Zogby Research Services

- **Background**
  - ZRS, in partnership with jzanalytics, continuing the work begun by Zogby International in 2009
  - ZRS has been conducting research in the Arab world since 2001
- **Role in partnership**
  - Conduct regional interviews and polls
  - Provide raw data
  - Run follow-up interviews

Survey objectives and methodology

What does this poll provide?

- Provides a **"snapshot"** view of "on-the-ground" issues
- **Benchmarks** and compares across the region
- Creates a **time series** to gauge trends and progress

Why is this important?

- **Few feedback mechanisms** exist in the region for private sector
- **Tool for government** to establish reform priorities and develop new policies

Who did we survey?

- **160** C-suite executives (CEO, CFO, COO, CSO, etc.)
- Across three countries: **Saudi Arabia,** the **UAE** and **Qatar**
- **December 2011** (with follow-up interviews)

Note: Sample size of 160 for the region.

Each survey contains recurring "foundation" questions while the remainder is focused on a unique theme

Zogby Poll #1 – October 2009

- Theme: **Financial crisis**
- **126** C-suite executives polled
- Countries surveyed: **UAE** and **KSA**

Zogby Poll # 2 – May 2010

- Theme: **Satisfaction of government handling** of financial crisis
- **134** C-suite executives polled
- Countries surveyed: **UAE, KSA and Qatar**

Zogby Poll #3 – December 2010

- Theme: **Priorities for government reform** (education and labour)
- **141** C-suite executives polled
- Countries surveyed: **UAE** and **KSA**

Zogby Poll #4 – May 2011

- Theme: **Labour reform, Unemployment and youth bulge**
- **164** C-suite executives polled
- Countries surveyed: **UAE, KSA** and **Qatar**

Zogby Poll #5 – December 2011

- Theme: **Effects of the Arab Spring, Government reform, Employment**
- **160** C-suite executives polled
- Countries surveyed: **UAE, KSA** and **Qatar**

Note: Sample size of 160 for the region.

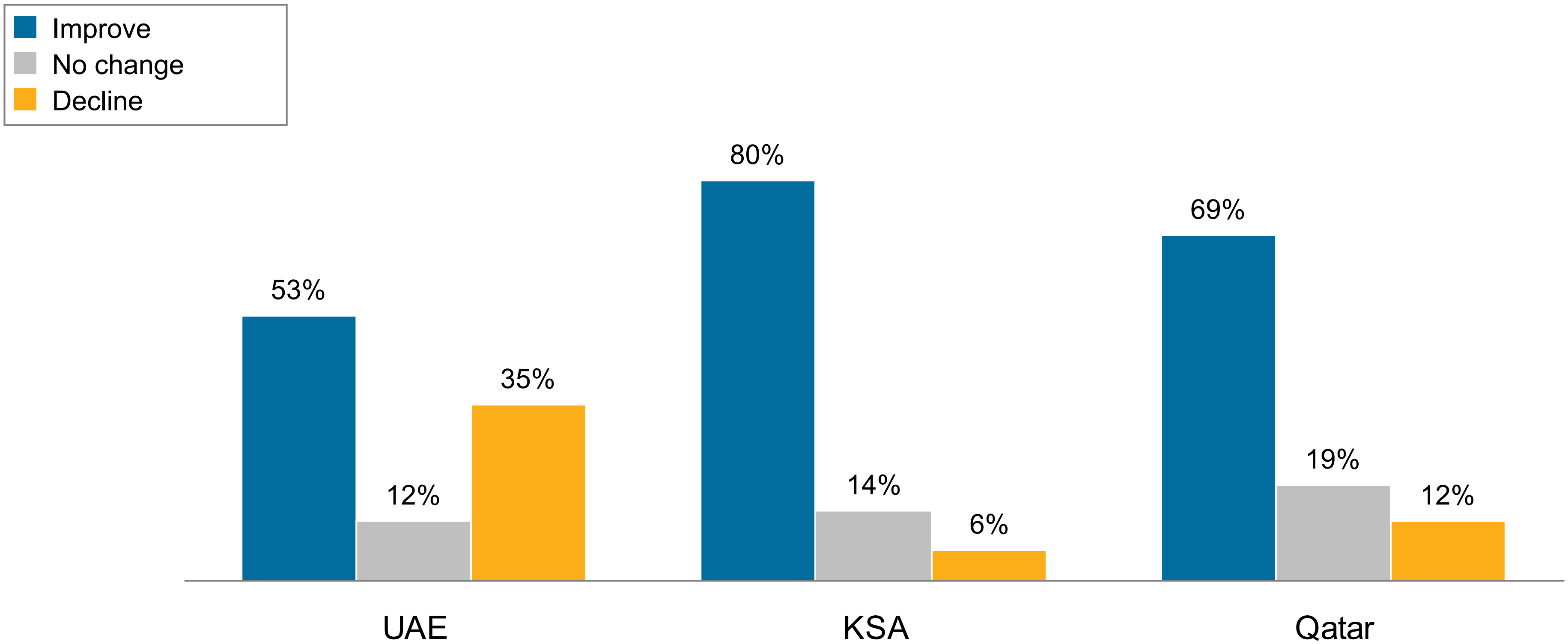
Key themes tested in interviews

- **THEME 1: BUSINESS CONFIDENCE**
  - What is the level of **business confidence** in the region? What are the **potential threats** to confidence levels?
  - Has the **"Arab Spring"** had any impact on confidence?
  - Where do executives see the **greatest economic opportunities**?

- **THEME 2: REFORM & EMPLOYMENT**
  - What are the **impediments and drivers** to reform?
  - What is the "Arab Spring's" **impact on reform**?
  - What are the **concerns** associated with the "youth bulge" and youth employment? Who is **best positioned** to help?

Optimism at the C-level is increasing in KSA and Qatar, while business confidence remains stable in the UAE

What is your view of *current* business conditions in your country versus what they were a year ago?

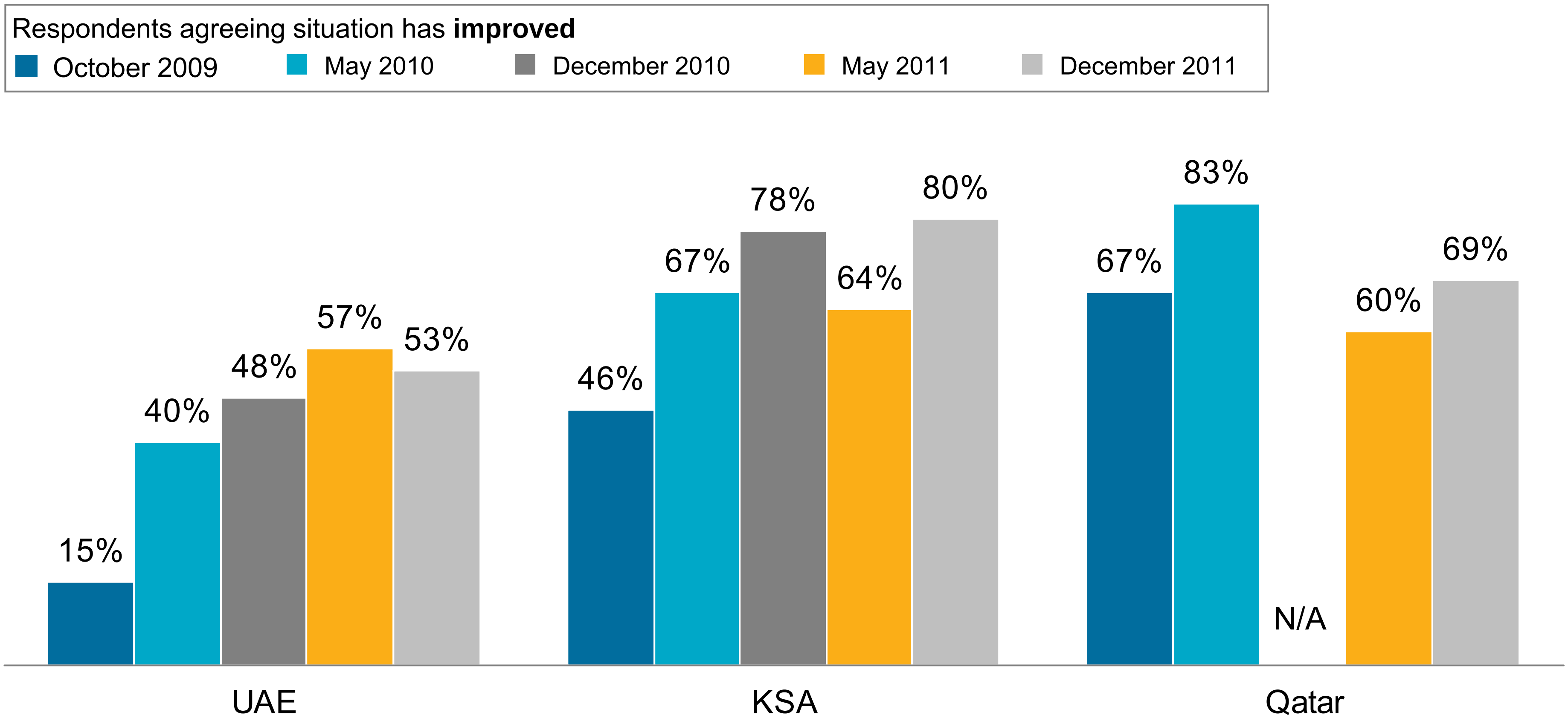


	UAE			KSA			Qatar		
May 2011 data	**57%**	**15%**	**26%**	**64%**	**27%**	**9%**	**60%**	**24%**	**16%**

Note: Sample size of 160 for the region. “Not started” or “Not Sure” responses not shown in graph.

KSA and Qatar continue to show high levels of business confidence; the UAE is confident, though slightly less so

What is your view of *current* business conditions in your country versus what they were a year ago?



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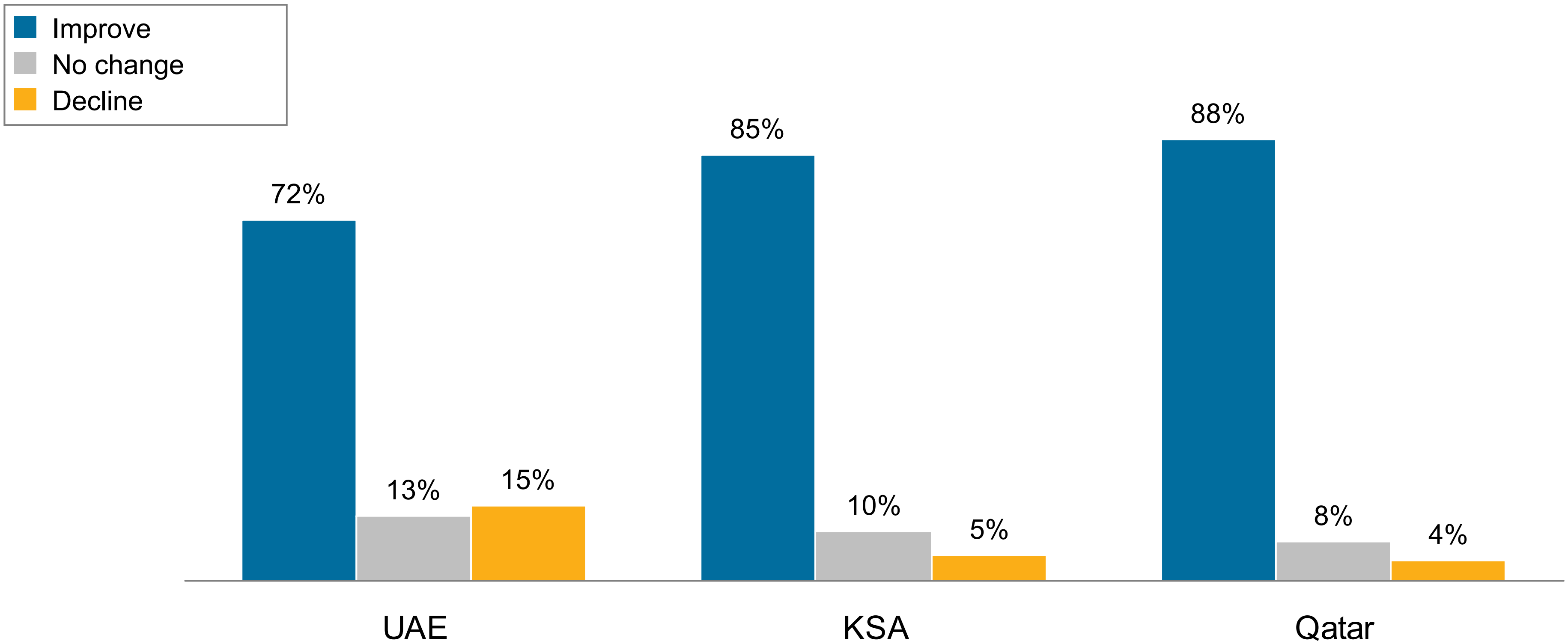
Most respondents are optimistic about the near future

What is your view of what business conditions will be *in the next two years* in your country?

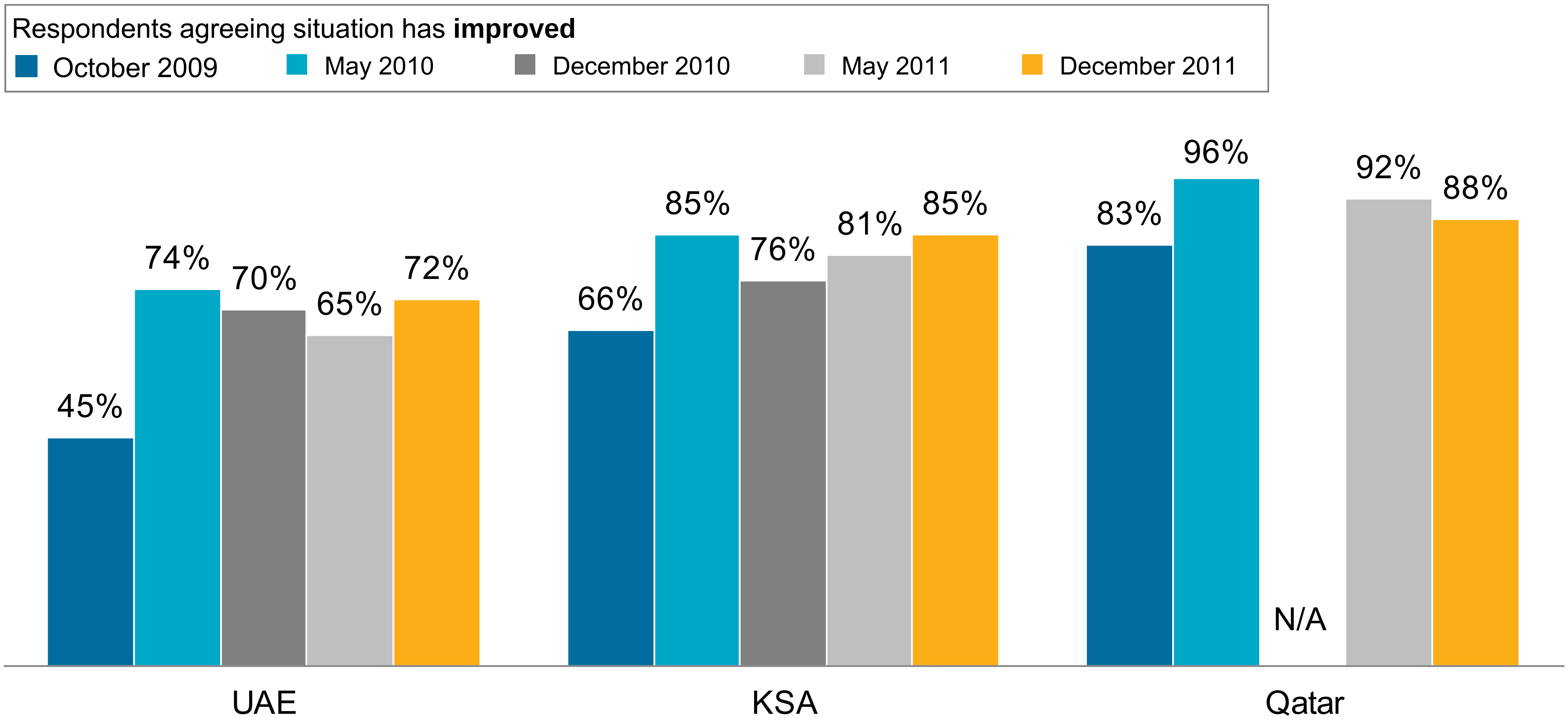


	UAE			KSA			Qatar		
May 2011 data	**65%**	**17%**	**14%**	**81%**	**13%**	**3%**	**92%**	**4%**	**4%**

Note: Sample size of 160 for the region. "Not started" or "Not Sure" responses not shown in graph.

As conditions have settled around the region, near term optimism has adjusted

What is your view of what business conditions will be *in the next two years* in your country?



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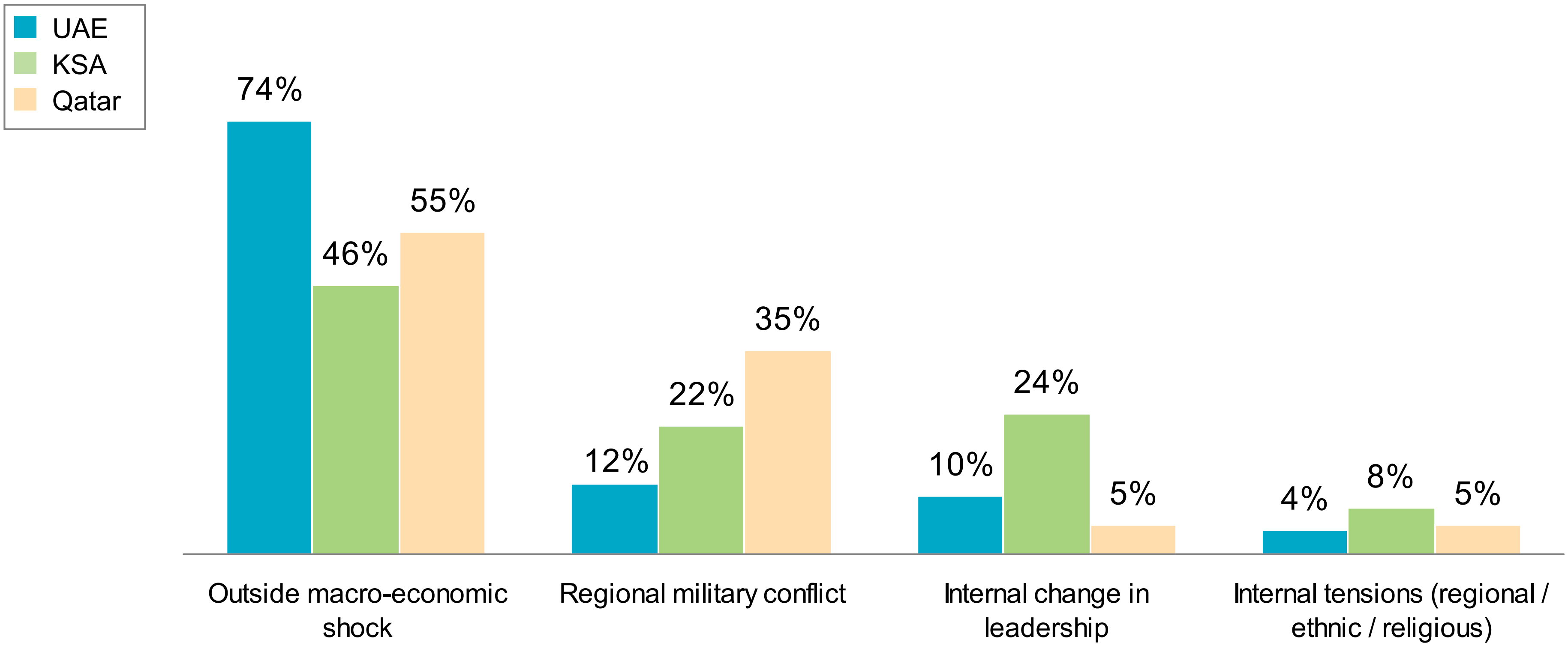
When asked about threats, countries more engaged with the outside world see themselves as more vulnerable to it

What do you see as the biggest threat to business conditions in the country in which you work?

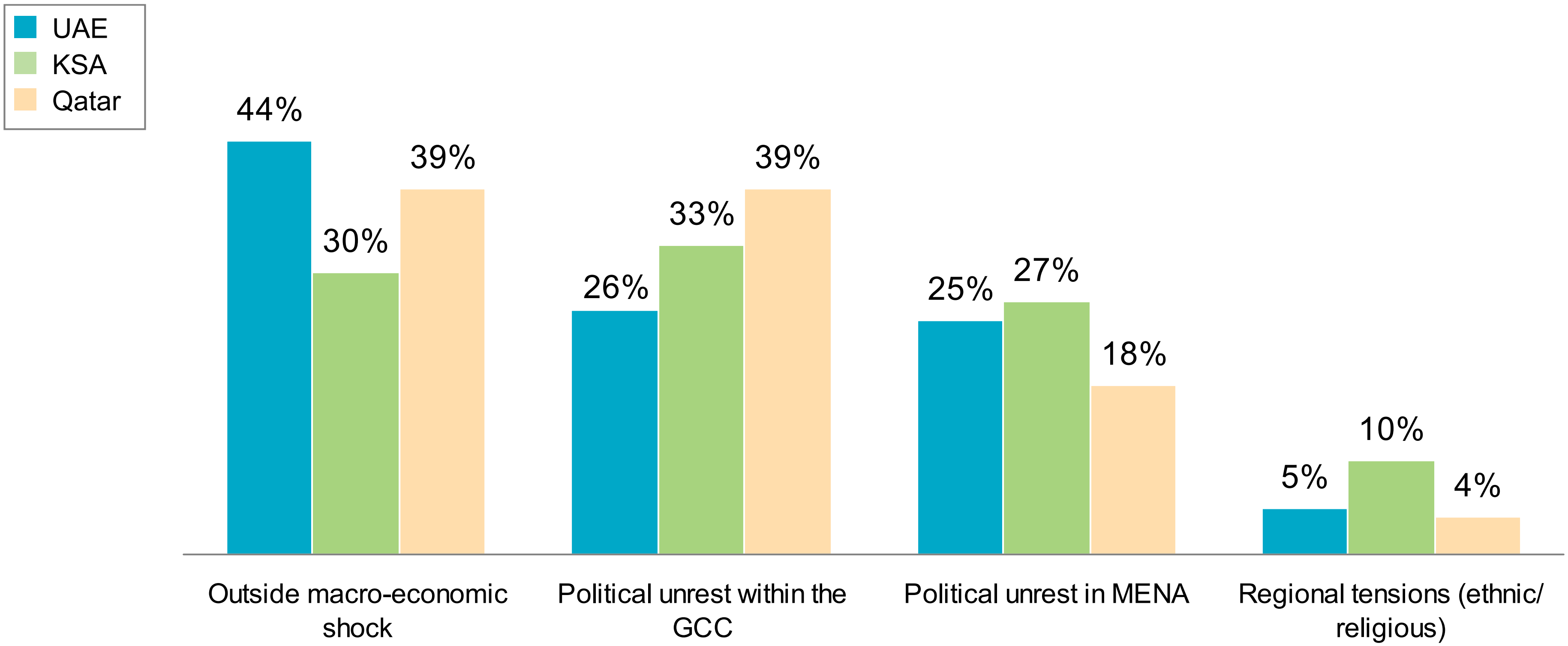


	Outside macro-economic shock			Regional military conflict			Internal change in leadership			Internal tensions (regional / ethnic / religious)		
May 2011 data	**64%**	**40%**	**52%**	**10%**	**22%**	**4%**	**6%**	**7%**	**20%**	**10%**	**6%**	**0%**

Note: Sample size of 160 for the region. "Not started" or "Not Sure" responses not shown in graph.

Political unrest a rising concern; UAE remains most concerned about outside economic shocks

What do you see as the biggest threat to business conditions in the GCC?

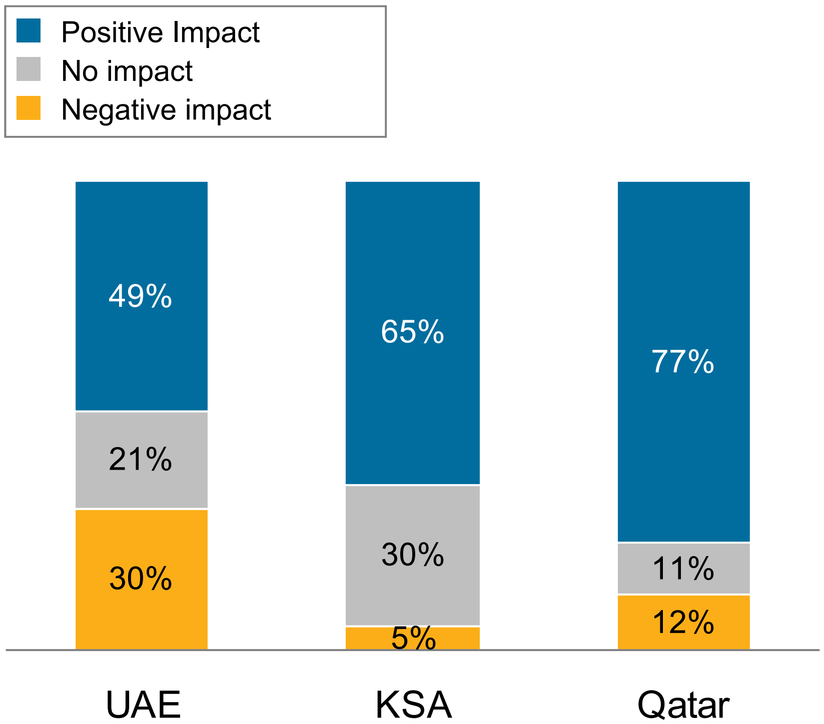


	Outside macro-economic shock			Political unrest within the GCC			Political unrest in MENA			Regional tensions (ethnic/ religious)		
May 2011 data	**36%**	**34%**	**40%**	**31%**	**11%**	**8%**	**18%**	**16%**	**8%**	**7%**	**28%**	**28%**

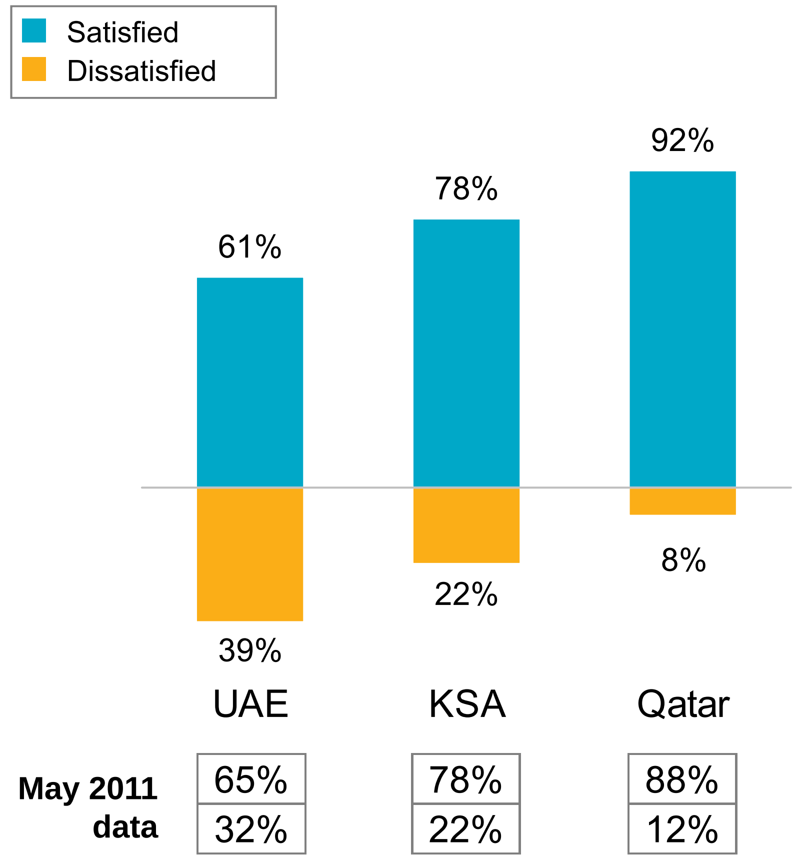
Note: Sample size of 160 for the region. "Not started" or "Not Sure" responses not shown in graph.

Confidence in government institutions is correlated with government's response to internal economic challenges

How has business confidence in government institutions changed over the last year?



How satisfied are you with your government's response to economic challenges in your country?



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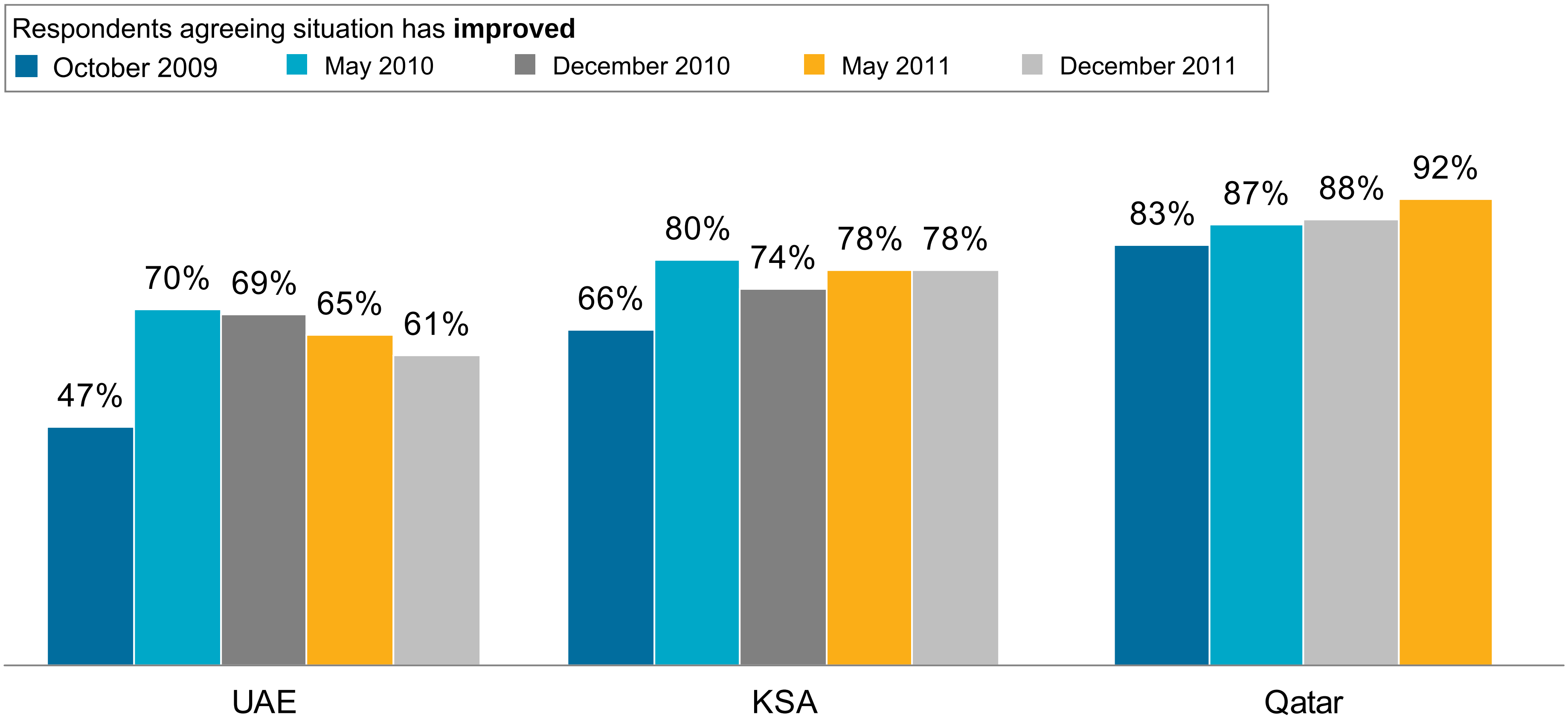
Overall, executives find their governments have effectively met challenges over the past 2 years; however, confidence is somewhat lower in the UAE

How satisfied are you with your government's response to economic challenges in your country?



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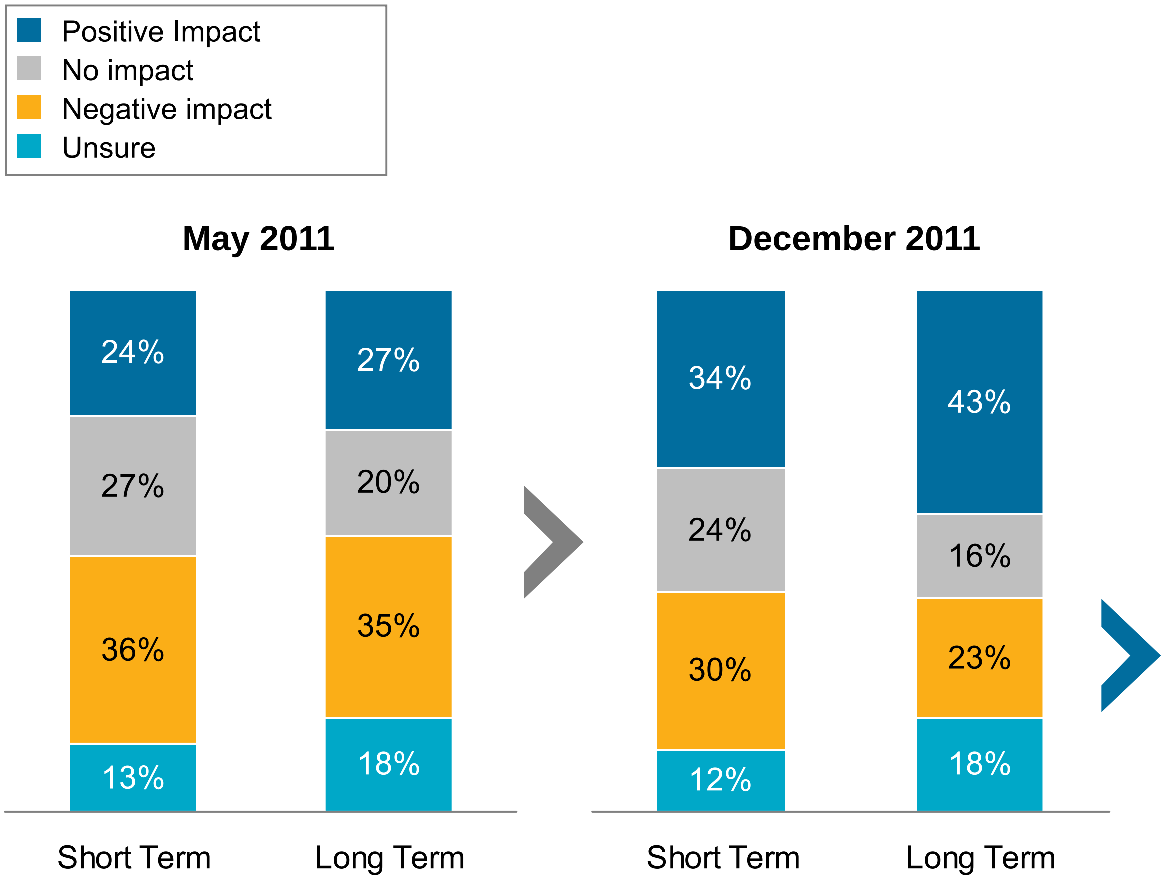
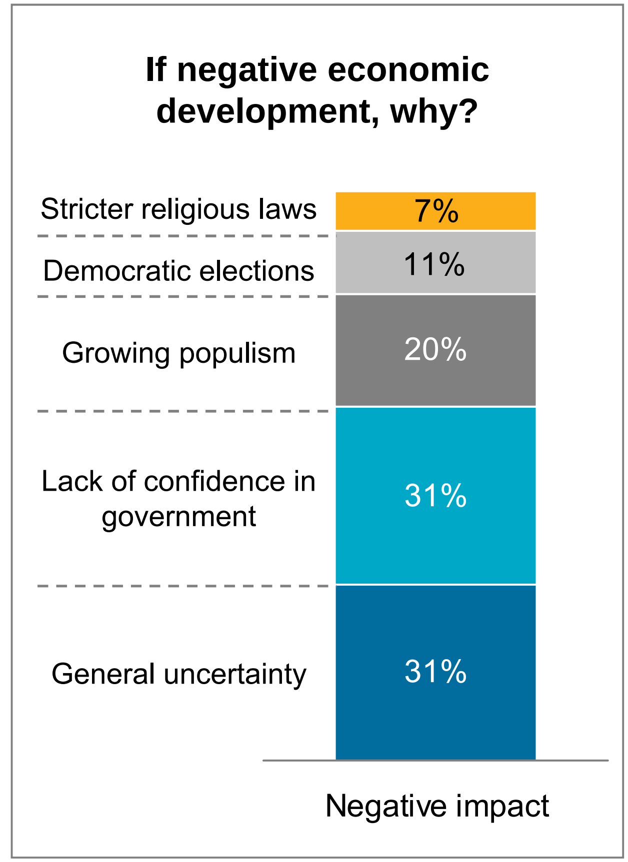
Overall, more respondents perceive the effect of the Arab Spring as a spur to positive economic development, especially in the long term

In your opinion, have the recent uprisings in other countries in the Arab world caused positive or negative economic development in the country in which you work?

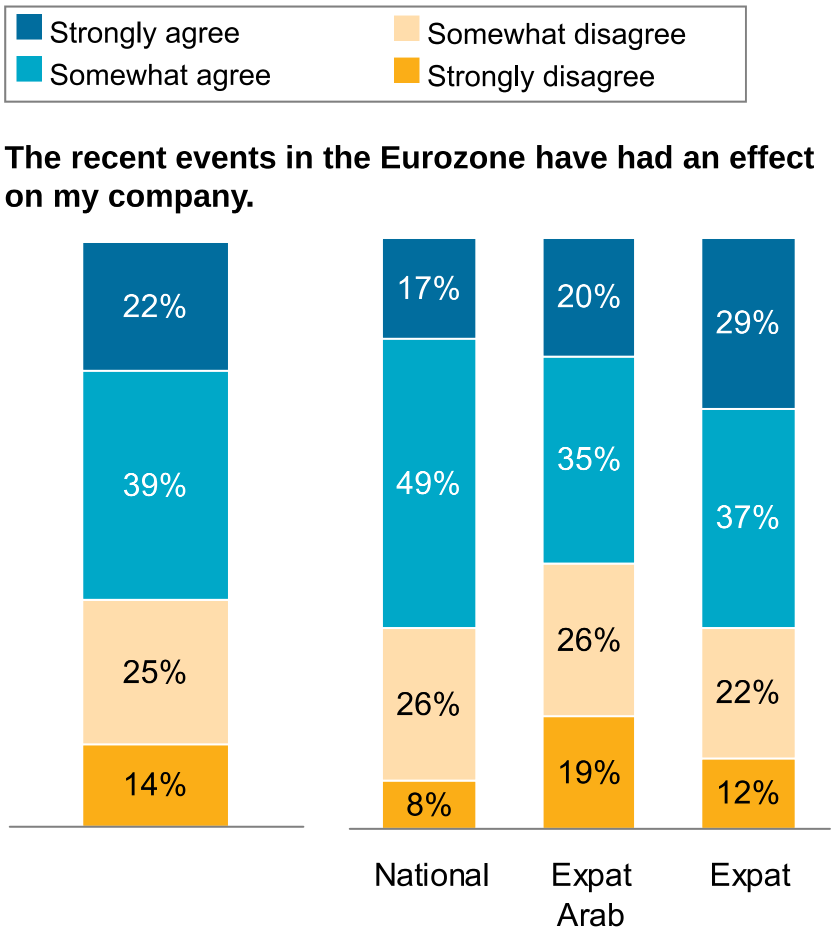


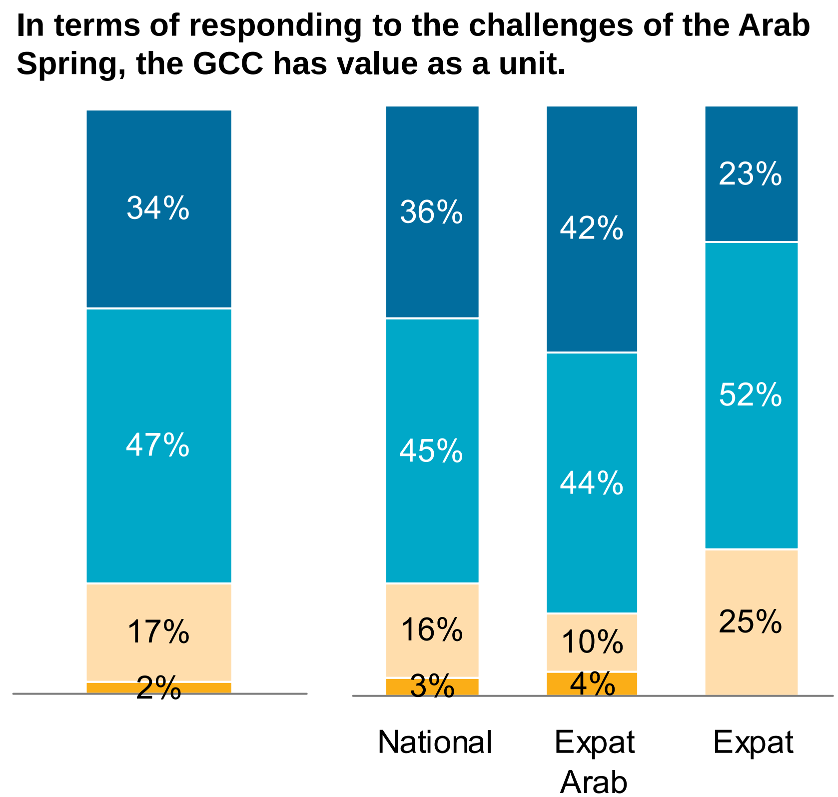


Note: Sample size of 160 for the region.

Executives – regardless of nationality – agree on the impact of outside events on their business, and the role of the GCC as a regional organization

Do you agree with the following statement?





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Key themes tested in interviews

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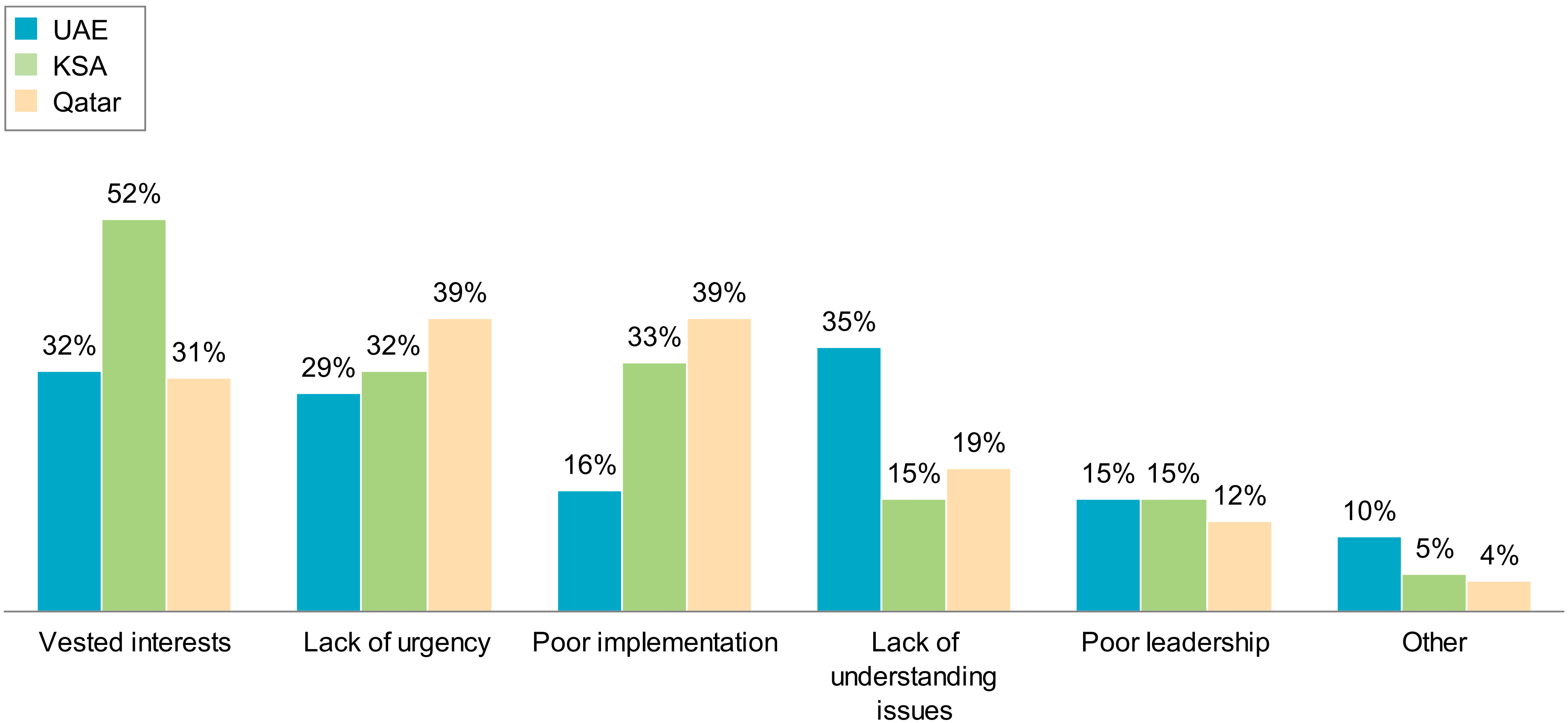
Inertia and vested interests remain top obstacles to reform of governments

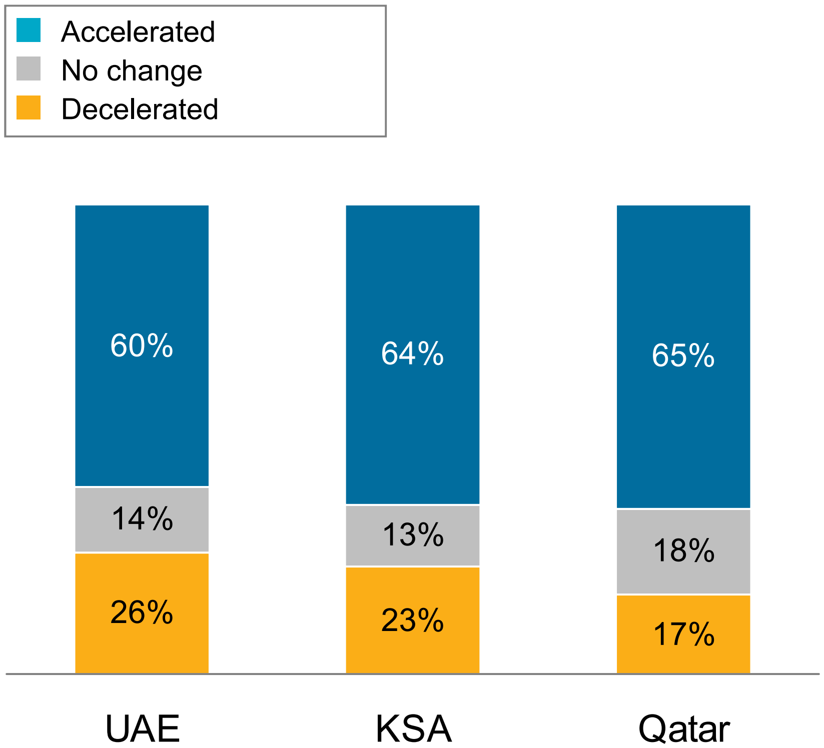
What are the greatest obstacles to continued reform of governments in the region?



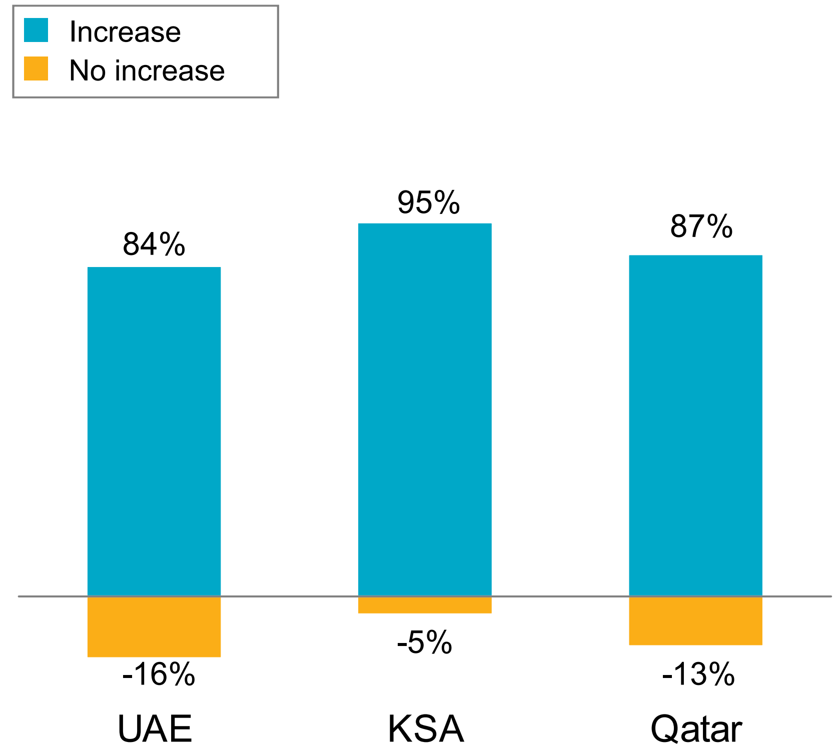
Note: Sample size of 160 for the region. “Not started” or “Not Sure” responses not shown in graph. Question allowed two responses, resulting in a sum of percentages > 100. Not all options shown.

Business leaders feel that the Arab Spring has increased the pace and urgency of reform significantly

How has the Arab Spring impacted the rate of government reform?



Has the urgency for reform increased?



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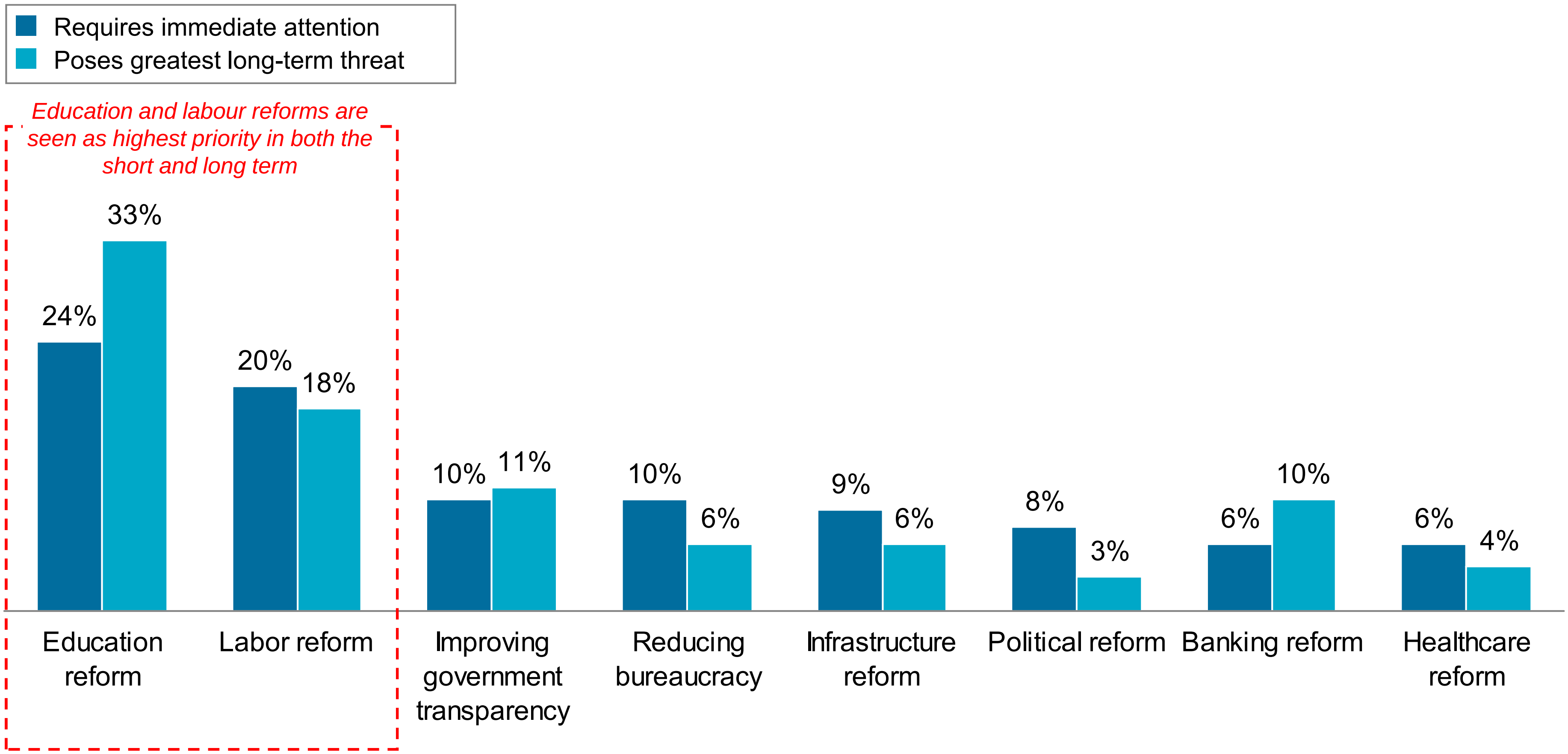
The key areas of reform remain education and labor, though the issue of government transparency has reappeared

Which issues require immediate attention, and which if left unaddressed, pose the greatest long-term threat to the region's competitiveness?



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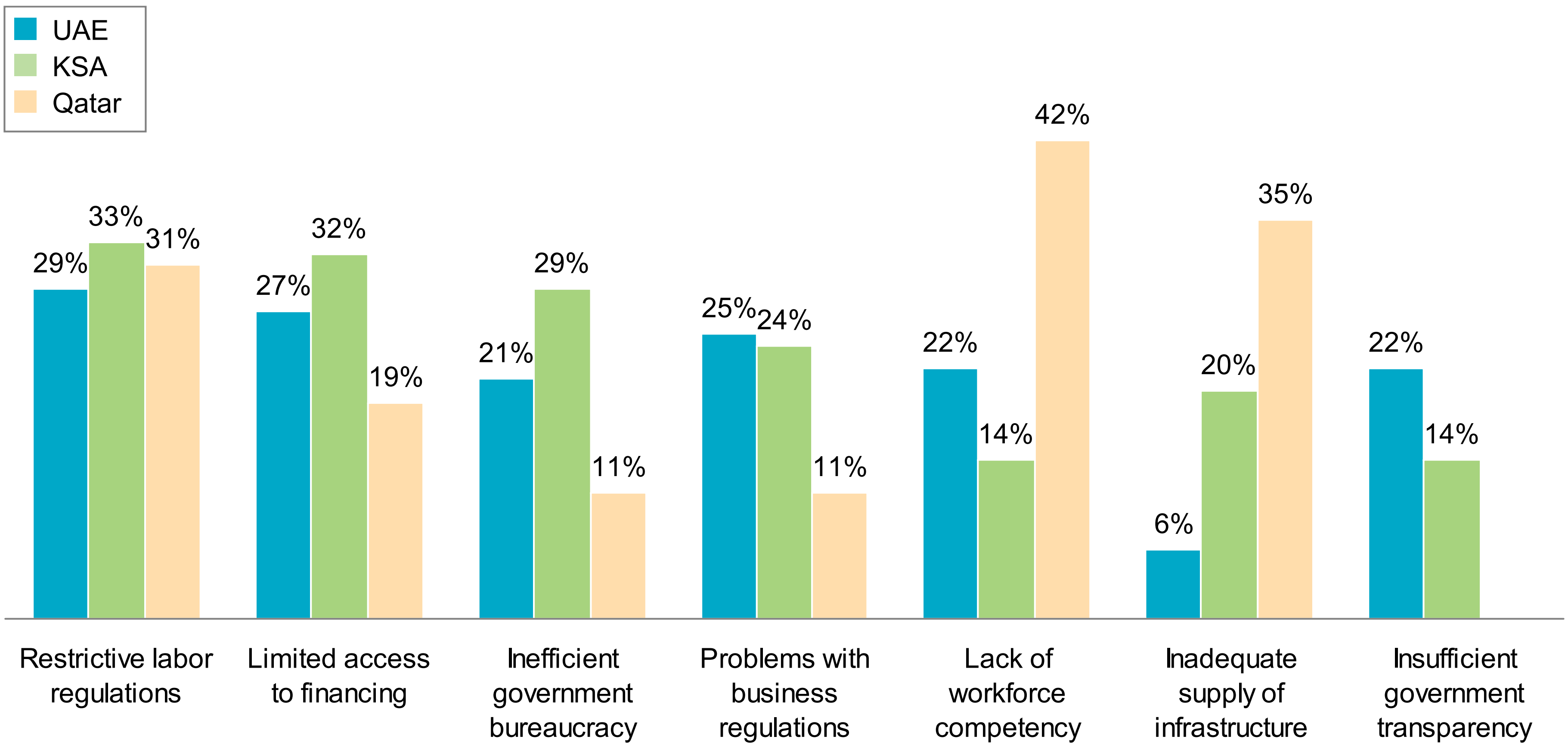
Labor regulation, financing remain the top perceived hurdles to conducting business, while frustration with bureaucracy has grown

What are the two biggest hurdles to doing business in your country?



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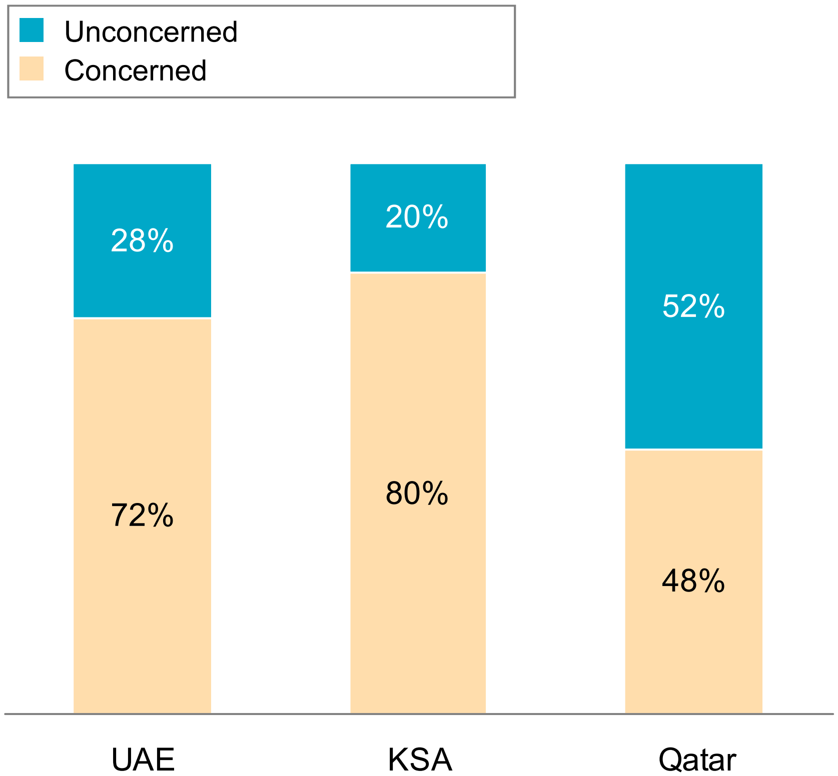
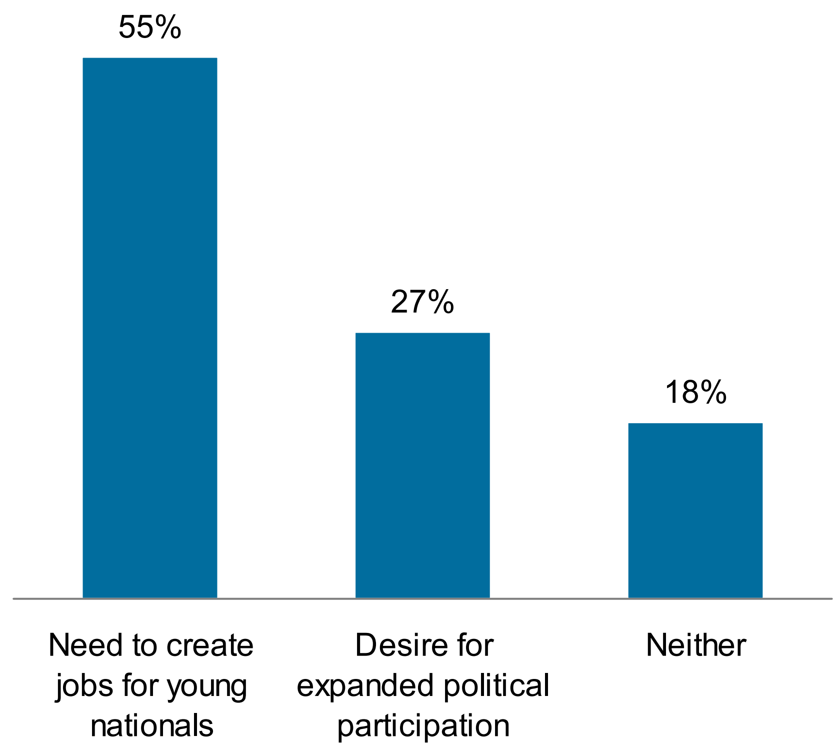
Increasing employment, rather than increasing political participation, remains a more important focus

How concerned are you about a growing "youth bulge" entering the work force?



Of the following options, which is the greater challenge facing your country today?



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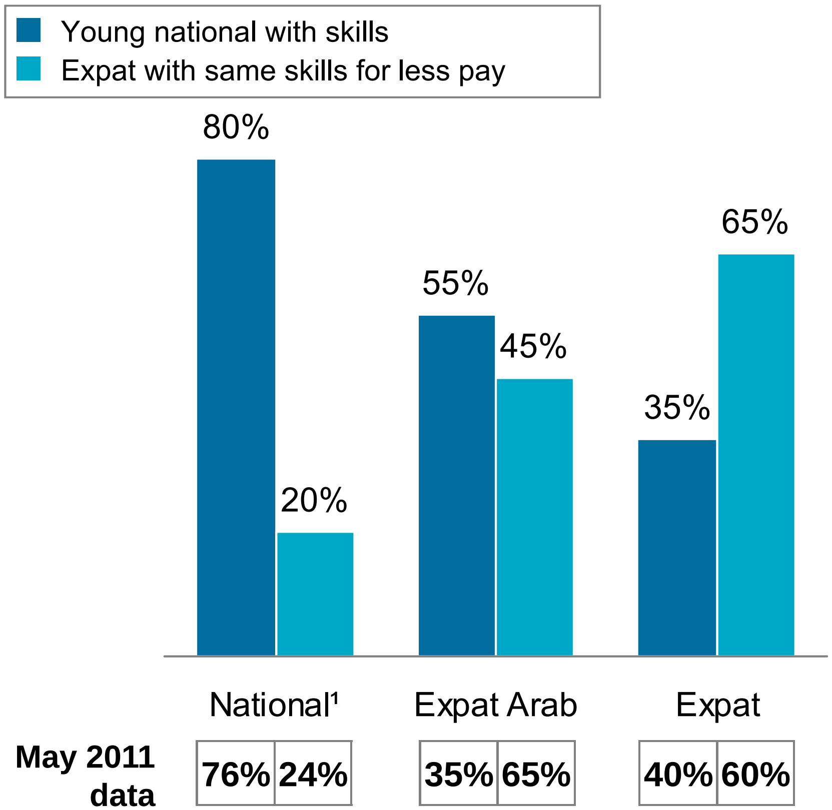
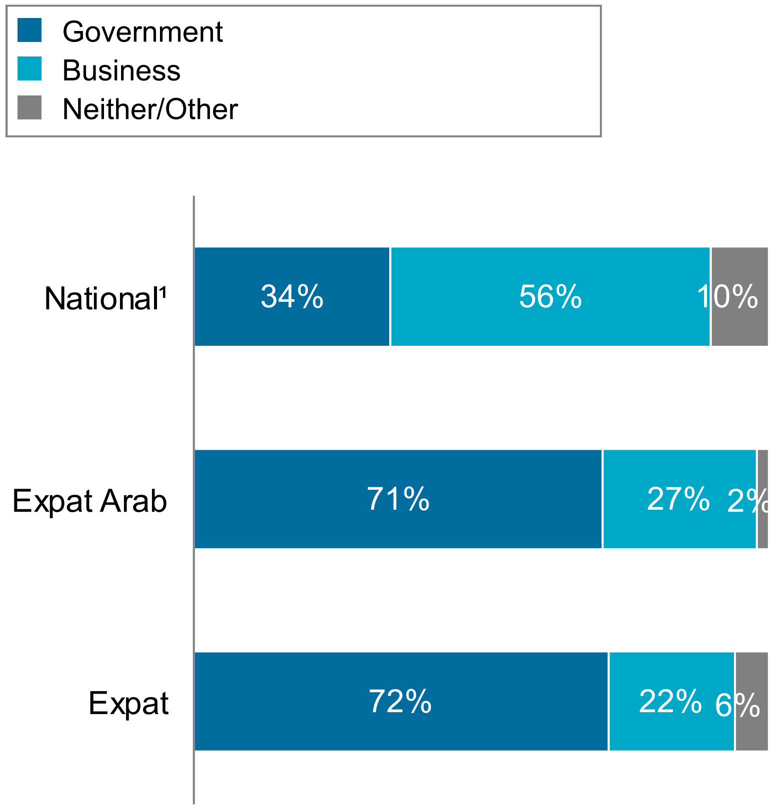
Nationals and non-nationals are greatly divided on how to handle the issue of youth unemployment

If given the choice, who would you hire?



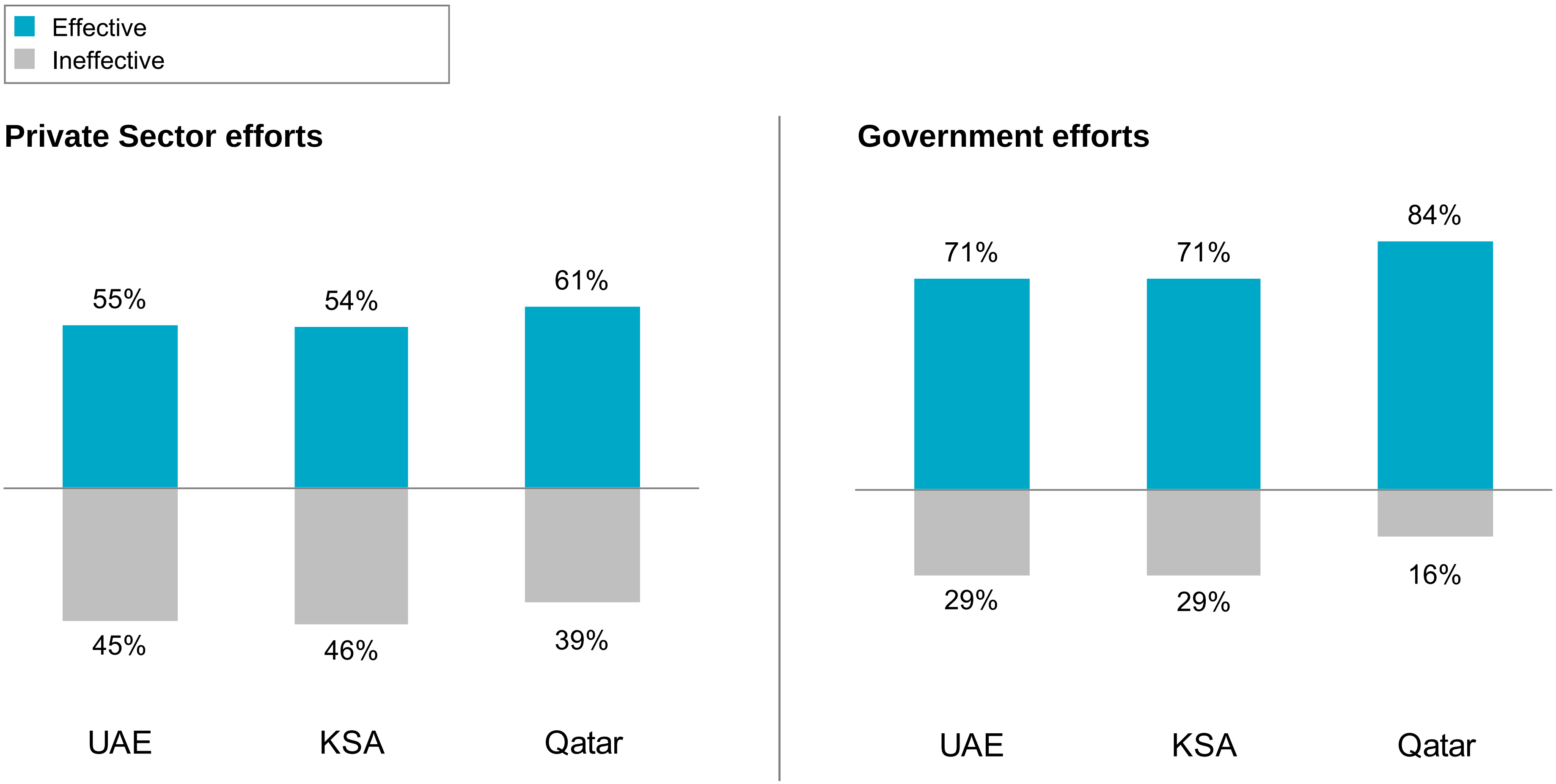
Who should bear the most responsibility for training young nationals?



Note: Sample size of 160 for the region. “Not started” or “Not Sure” responses not shown in graph.
1 National is defined as those that are Emirati, Saudi or Qatari nationality

Respondents continue to be more critical of private sector efforts to create job opportunities

How do you rate the efforts to create job opportunities for young nationals?



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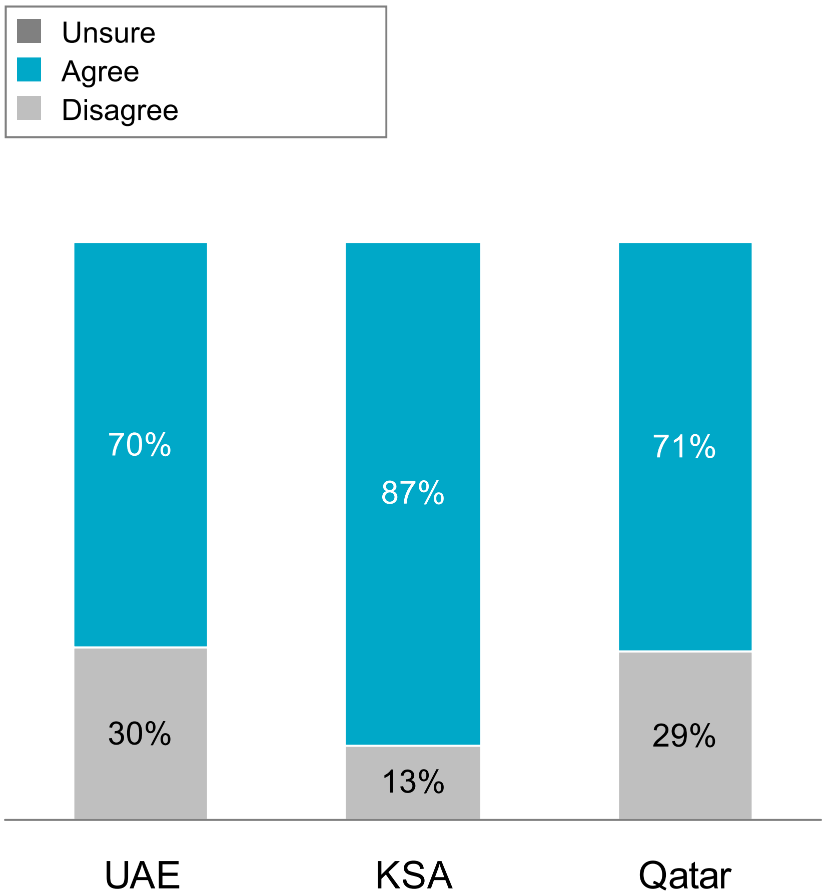
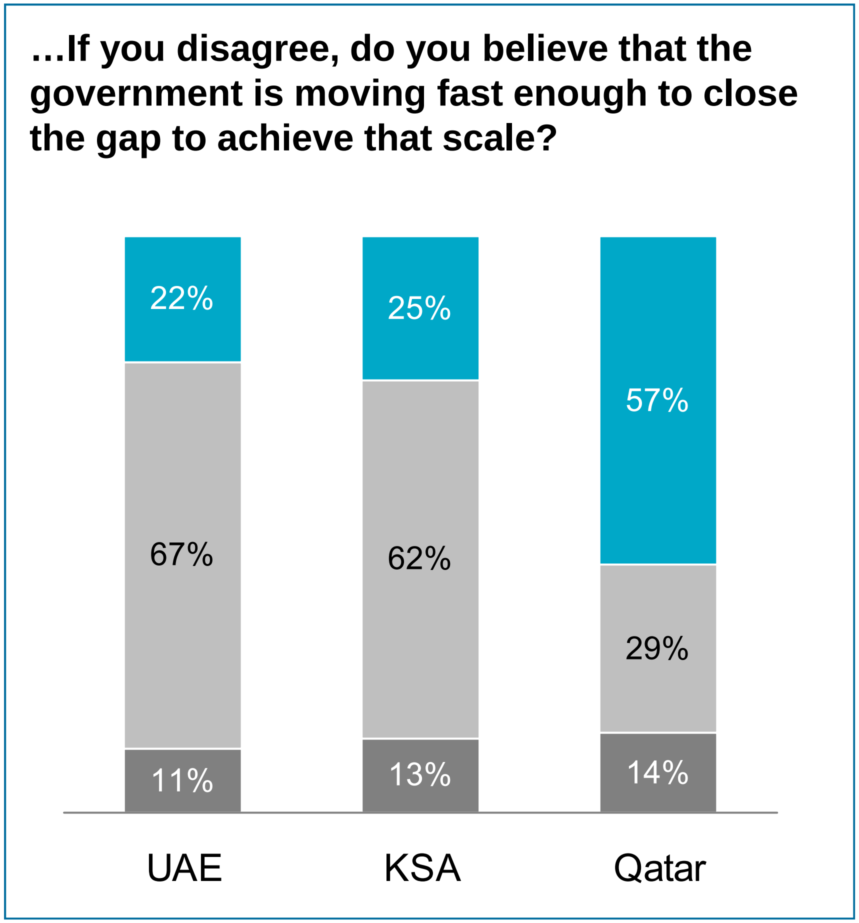
In general, executives see the government efforts to support SMEs as positive, but when critical, a small percentage identify the rate of change as a negative factor

Do you think that government support initiatives are at the right scale to support SMEs?





Note: Sample size of 160 for the region.

Key conclusions

- Business confidence is **generally high**, with the UAE more **more reserved** than KSA and Qatar
- The **impact of "Arab Spring"** is seen **more positively** than last May, both in the short term and the long term
- **Macro-economic shock** is still considered a **primary threat** to business conditions, though **political/internal tensions have moved up significantly** in the ranking
- **Restrictive labour regulations** and a **limited access to financing** are seen as the biggest hurdles to doing business
- **Inertia**, in the form of vested interests and a lack of urgency, seen as a hurdle to reform
- **Education and labour reforms** continue to be seen as the most pressing issues for the GCC
- **Youth unemployment among nationals** is considered the **greatest challenge** facing all three countries
- **Nationals aspire to hire nationals**, but hold government responsible for meeting training needs

Oliver Wyman's Public Sector Practice

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Oliver Wyman is a leading global management consulting firm that combines deep industry knowledge with specialized expertise in strategy, operations, risk management, organizational transformation, and leadership development.

We have over 35 years of experience and 3000 staff in 40 cities and 16 countries.

Oliver Wyman's Public Sector practice has had engagements in more than 30 countries on 5 continents. We have over 20 partners focused on the public sector with a global advisory board of ex-government officials.

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