



4th GCC Business Confidence and Government Reform Survey 2011

An Oliver Wyman – Zogby International Survey

June 2011

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

Oliver Wyman

▪ Background

- An international management consulting firm 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

▪ Plan to conduct bi-annually

▪ Focus on KSA, UAE, and Qatar

Zogby International

▪ Background

- Zogby International is a global public opinion polling firm
- Tracking public and senior executive opinion since 1984 in the Middle East, North America, Latin America, Asia, and Europe

▪ 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?

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

Each survey contains 2/3 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

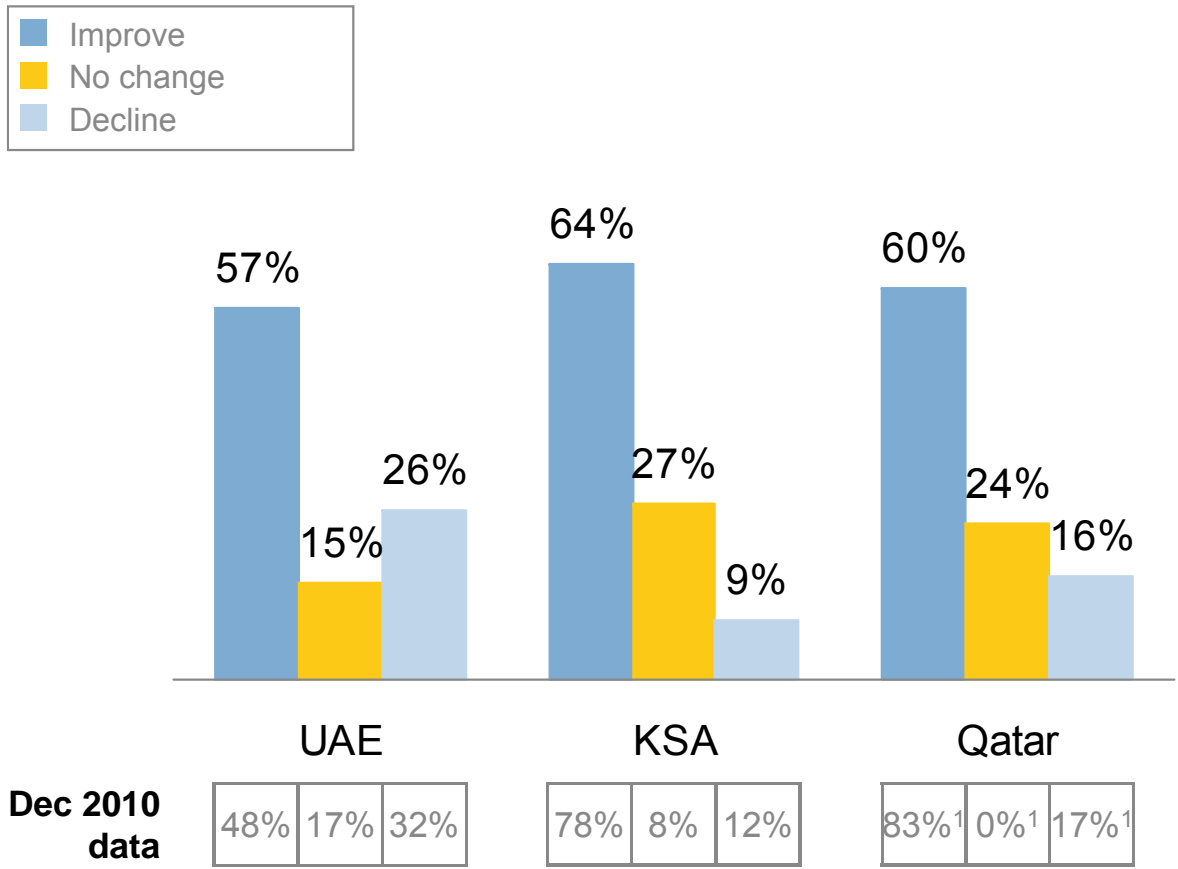
- Theme: **Labour reform, Unemployment and youth bulge**
- **164** C-suite executives polled
- Countries surveyed: **UAE, KSA and Qatar**

- **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: STRUCTURAL ISSUES AND REFORM**
 - What are the **hurdles to continued growth**?
 - What are the **impediments and drivers** to reform?
 - What are the **concerns** associated with the “youth bulge” and who is **best positioned** to help?

Overall, business confidence continues to improve, despite the regional events of the past months

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



Comments

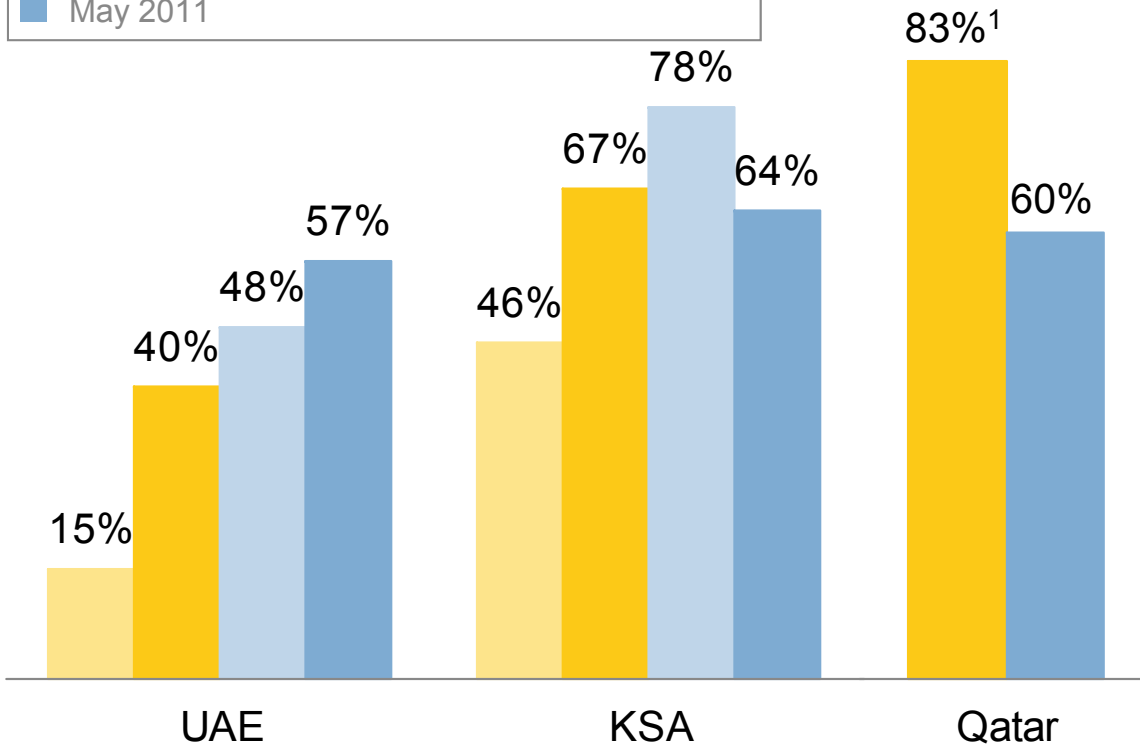
- It appears that business confidence has not been significantly impacted by the “Arab Spring”
- Generous government spending plans (e.g. Saudi Arabia) and high oil prices may be counterbalancing political concerns
- Saudi Arabia business leaders remain most confident

Note: Sample size of 164 for the region. "Not stated" or "Not Sure" responses not shown in graph.
 1 May 2010 Data

Over the two years since the poll began, the rate of improvement has continued in UAE, while more recently slowing in KSA and Qatar

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

Respondents agreeing situation has improved



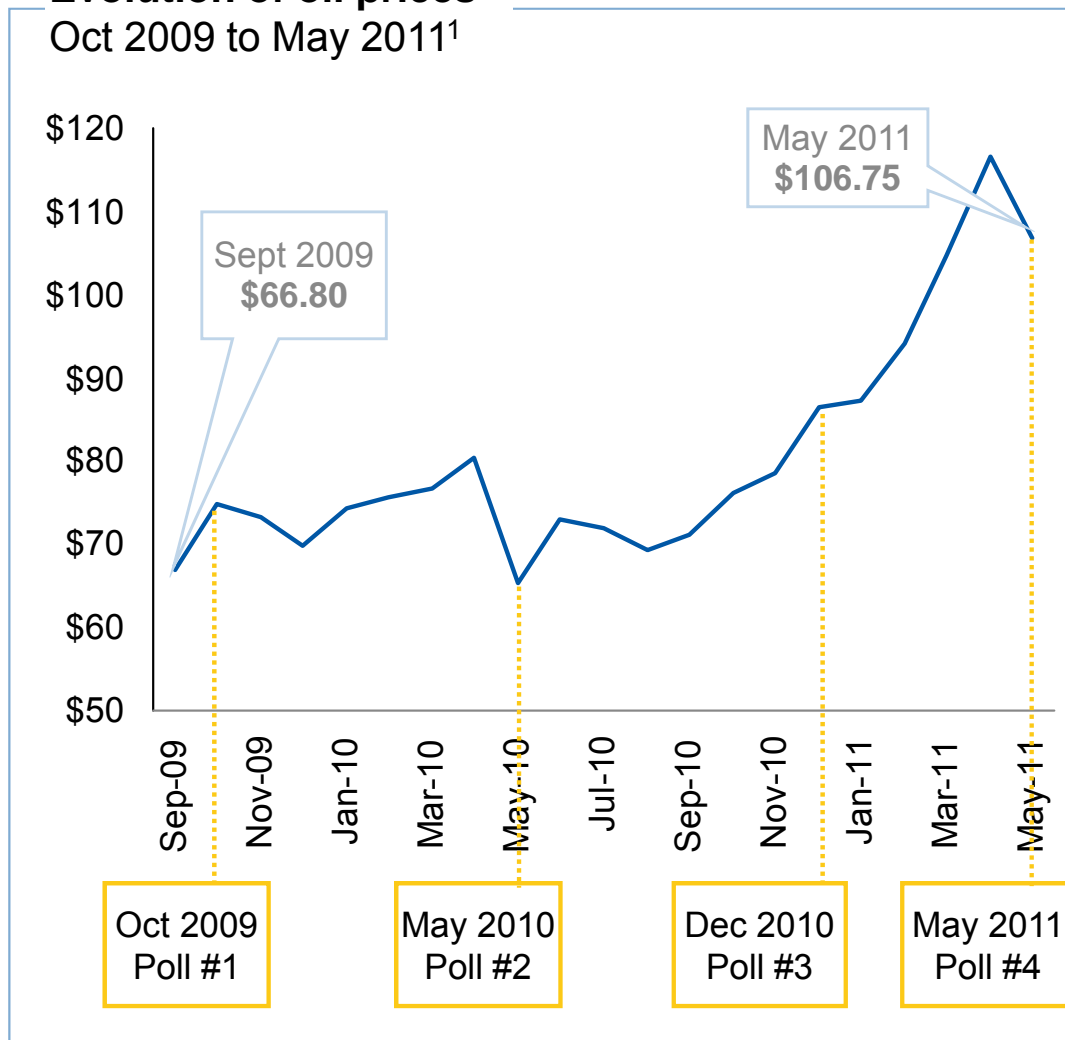
Comments

- Confidence levels, especially in the UAE, have improved dramatically since the “financial crisis” of 2009

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1 May 2010 Data

Higher oil prices and more recent expanded government spending are behind higher GDP growth

Evolution of oil prices Oct 2009 to May 2011¹



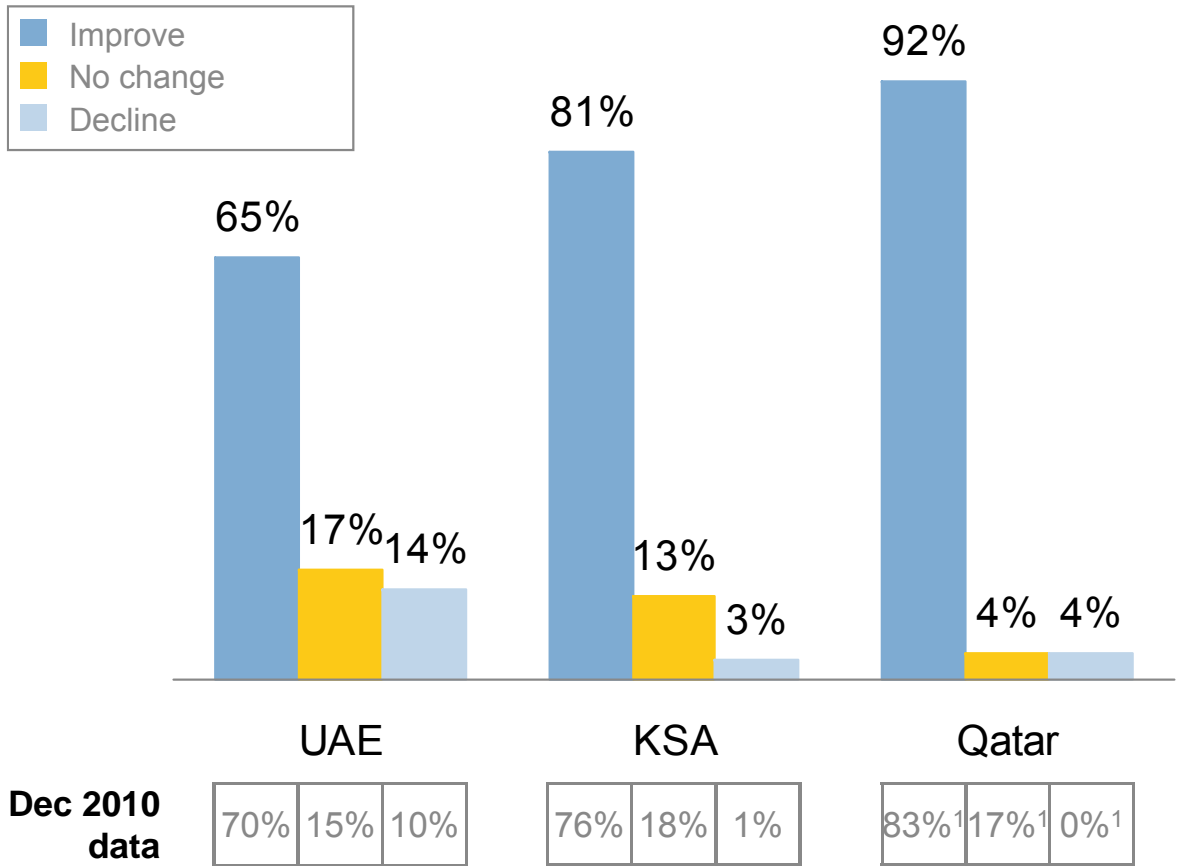
Increased government spending KSA example

- Saudi King Abdullah has ordered **SR 386 Bn** in additional public spending
- Funds are directed at issues related to **housing, education, rising inflation**, as well as supporting the **military and religious groups**
- Specific economic measures announced include:
 - Immediate payment of **two months' salary** to all government employees
 - Two months scholarship fees for all higher education scholarship students
 - **Minimum wage** for government jobs has been fixed at **SR 3,000**
 - Allocation of SR 250 Bn to **build 500,000 new houses**

Source: U.S. Energy Information Administration, Jadwa Investment of Riyadh, Bloomberg, Arab News March 2011
¹ Prices quoted in USD, United spots price at end of month

Continued strong optimism is expressed for future business conditions in the region

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



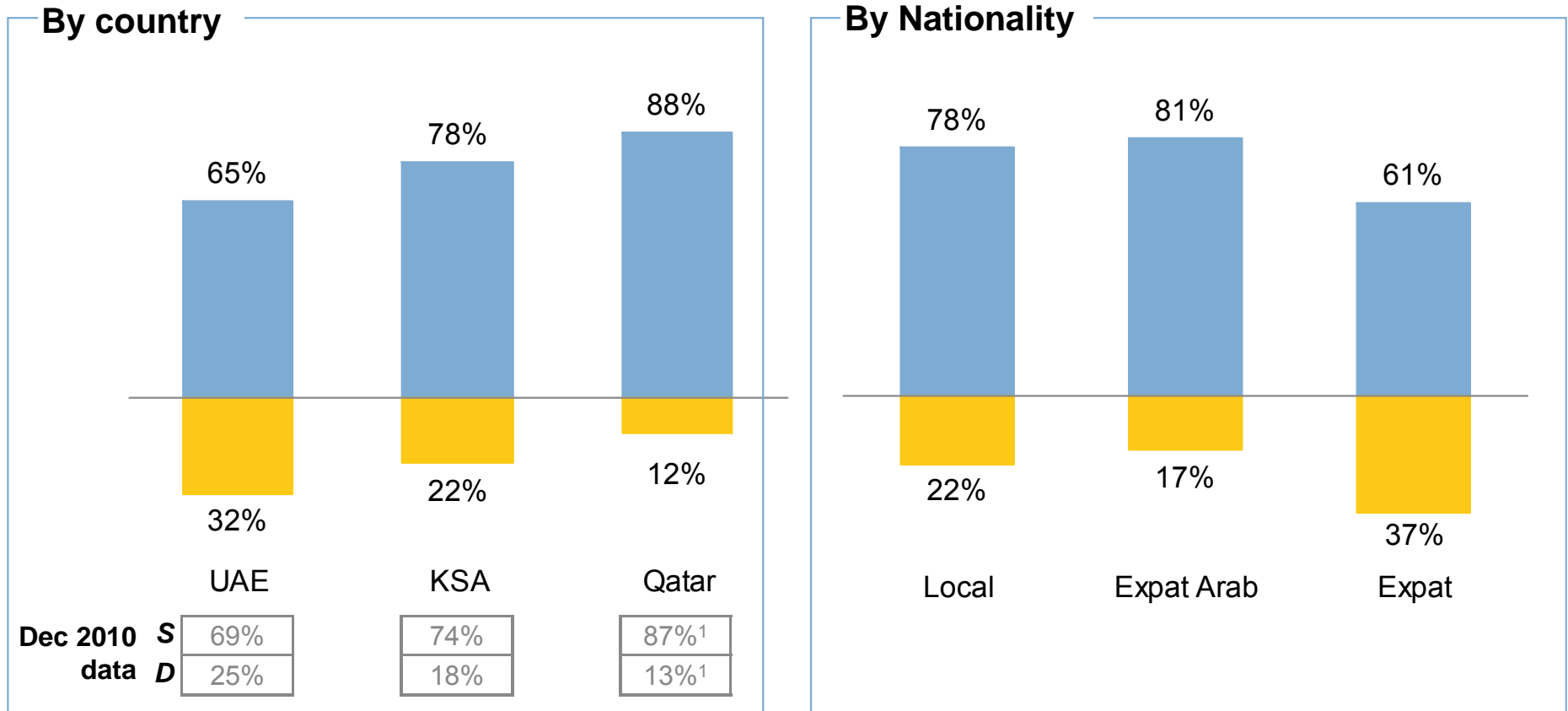
Comments

- Longer term confidence seems mostly untouched by recent regional events
- Fear of contagion appears limited
- Qatar may have received a boost from the recent 2022 FIFA decision

Note: Sample size of 164 for the region. "Not stated" or "Not Sure" responses not shown in graph.
1 May 2010 Data

Overall, the majority of polled executives are satisfied with government response to economic challenges, though over a third of non-Arab executives express dissatisfaction

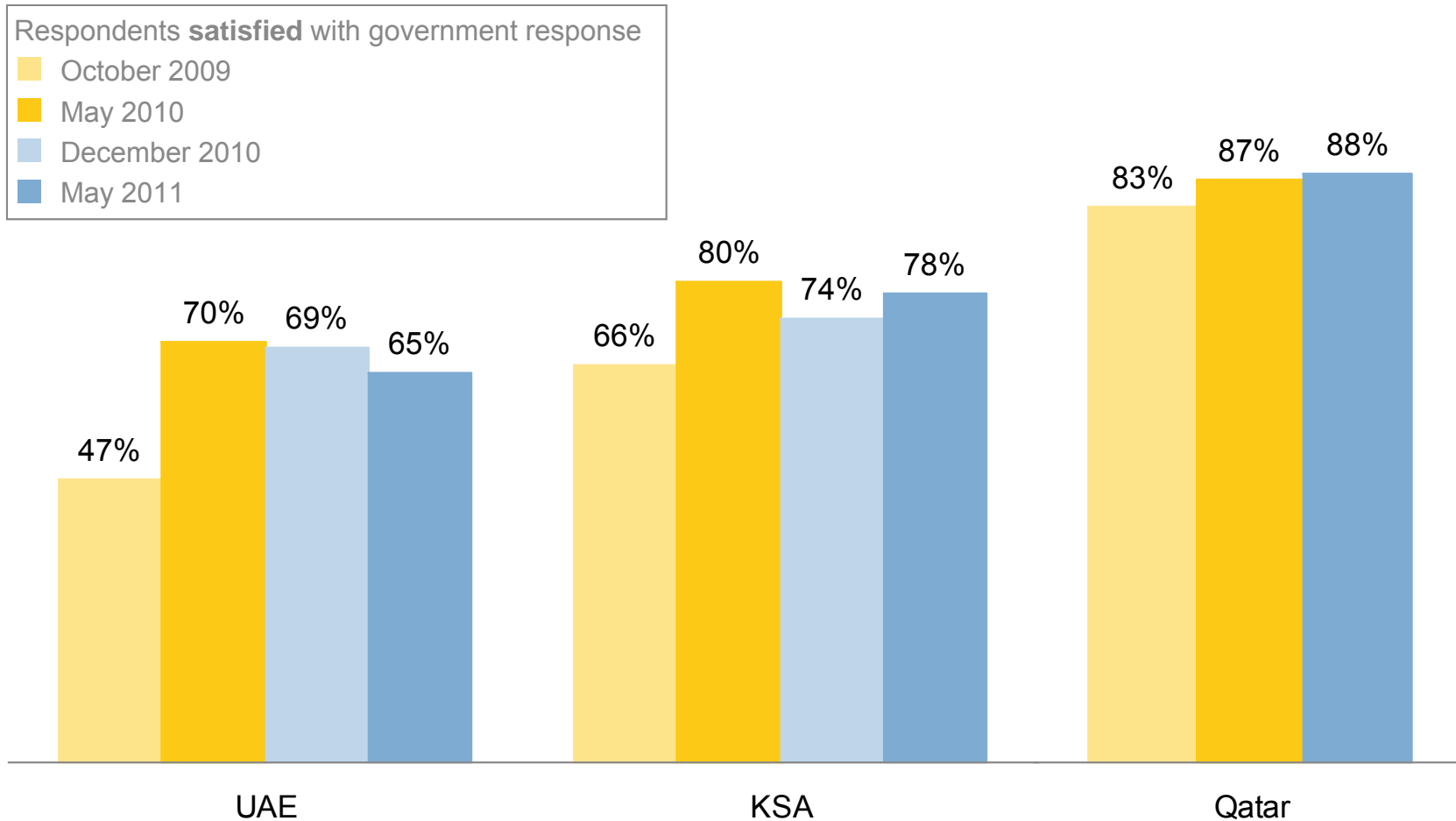
How satisfied are you with your government's response to economic challenges in your country?



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 1 May 2010 Data

Overall, executives are increasingly satisfied by their government's response to challenges over the past two years

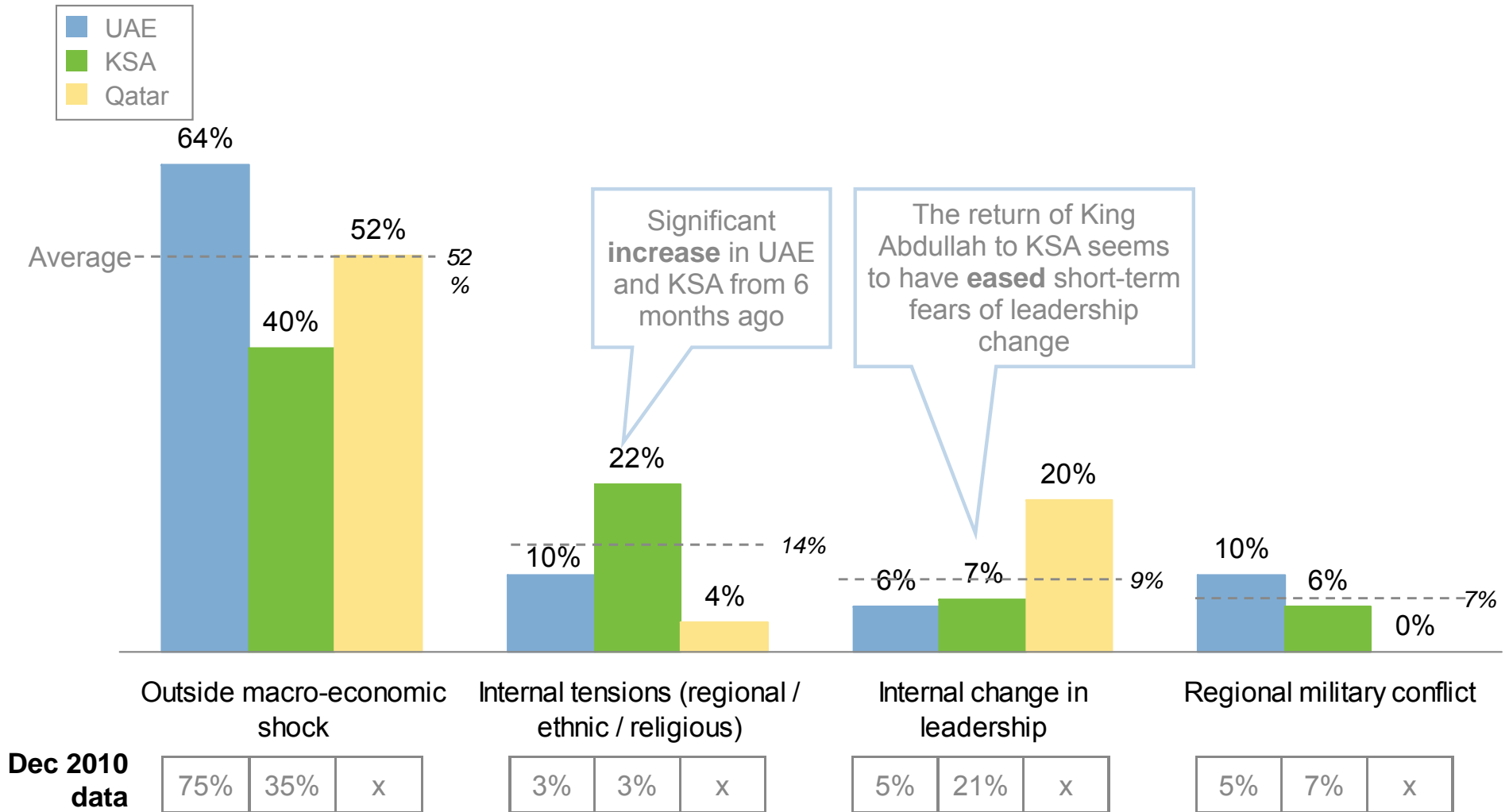
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Domestically, macro-economic threats continue to be the focus of national concern, although threats from internal tension are on the rise

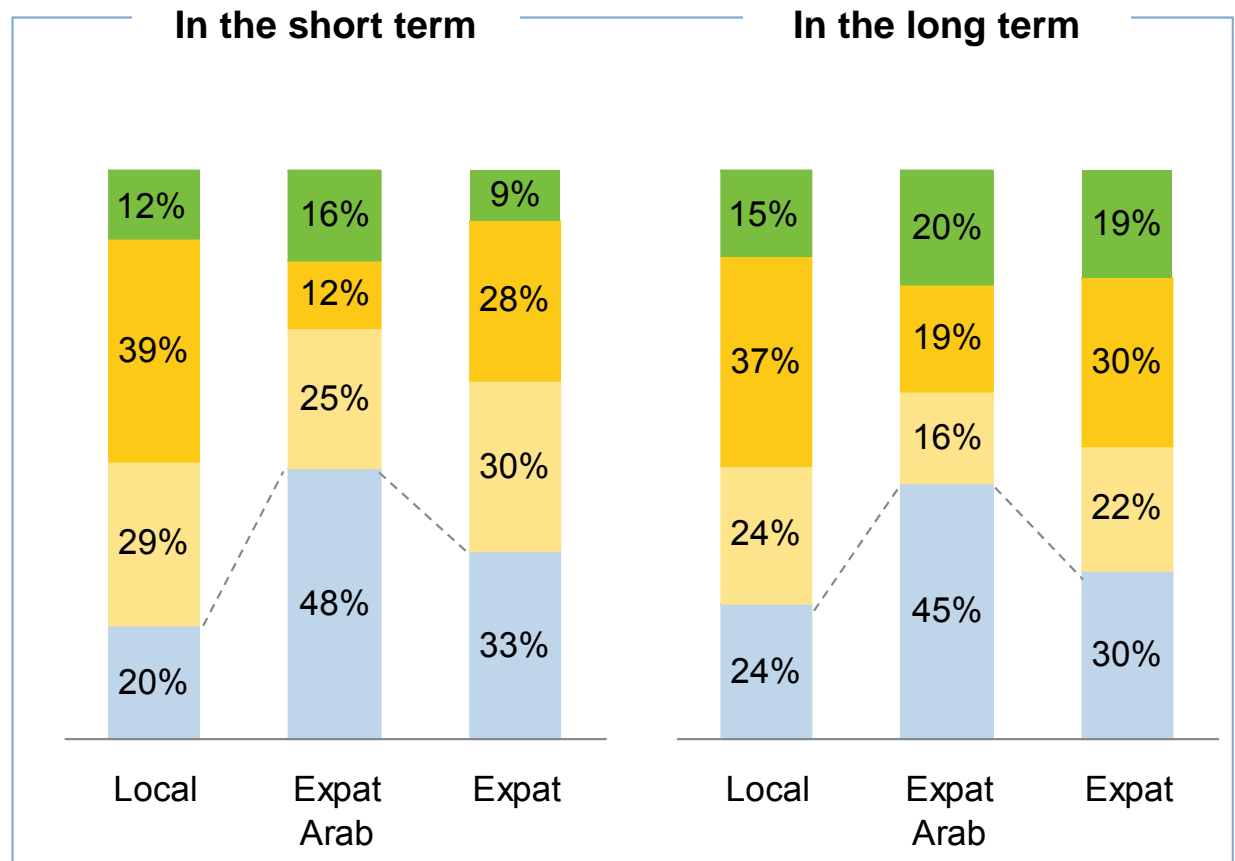
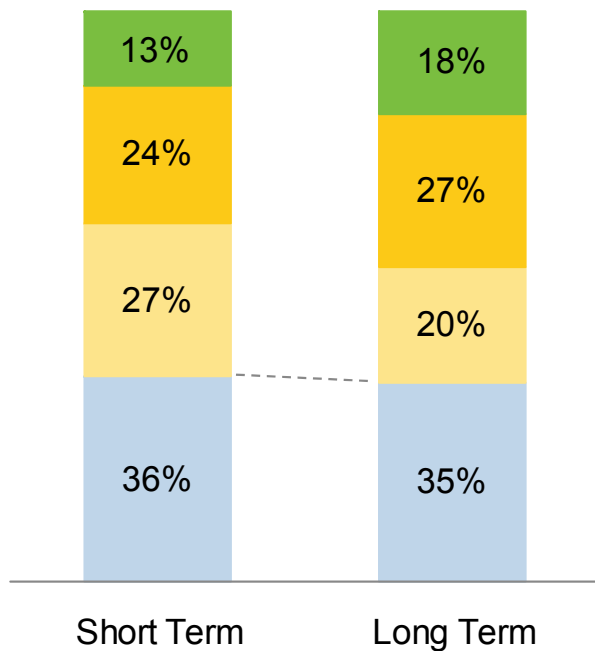
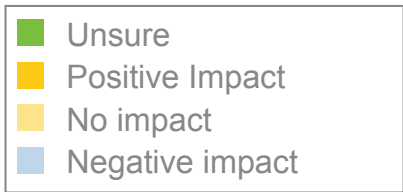
What do you see as the biggest threat to business conditions in your country?



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When executives were queried directly on the impact of the “Arab Spring”, results were mixed both short and long term

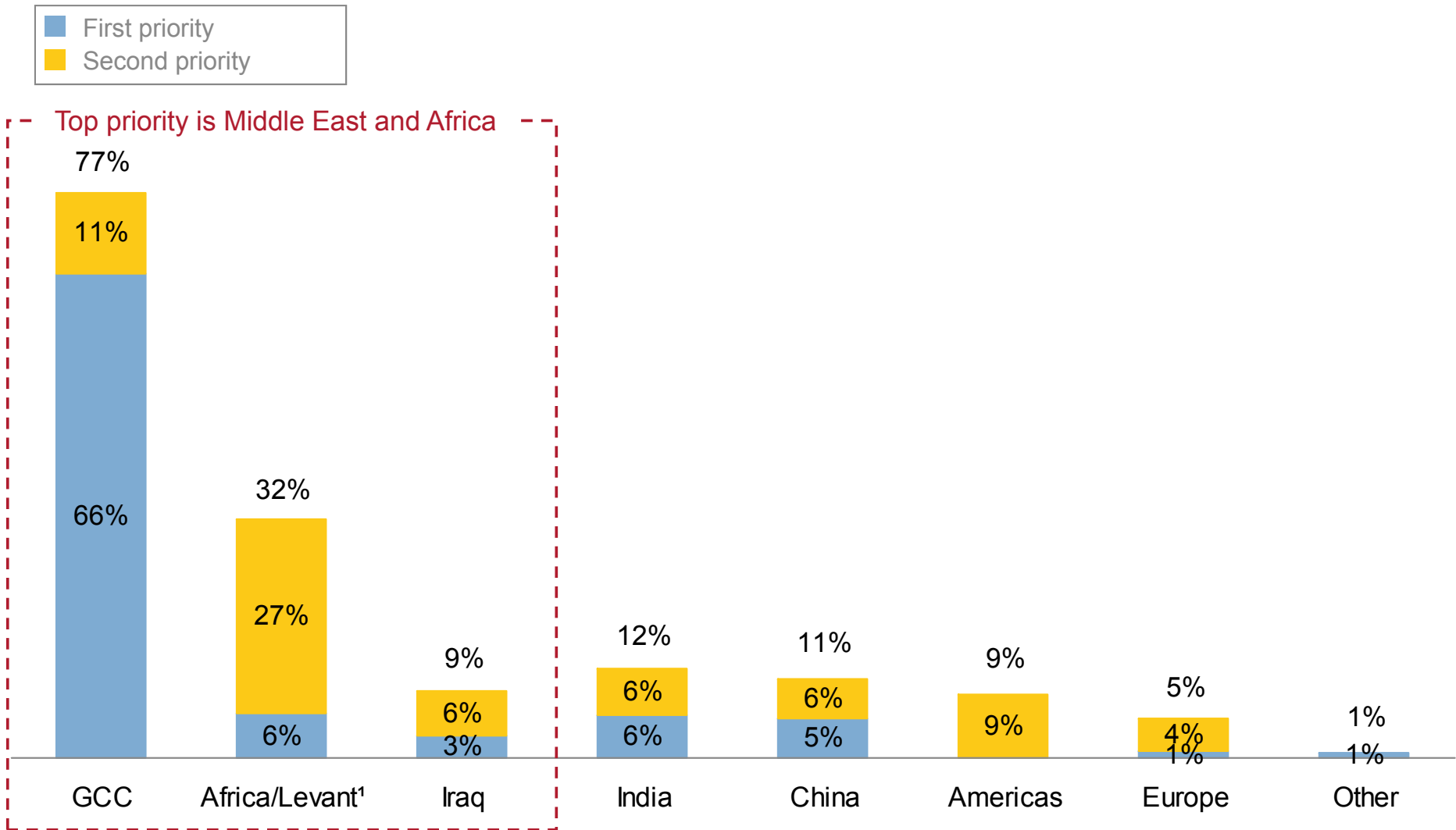
In your opinion, have the recent uprisings in other countries in the Arab world caused positive or negative economic development in your country?



Note: Sample size of 164 for the region.

Executives see the greatest economic opportunities in Middle East and Africa

For your company, in which geography is the greatest opportunity for growth?

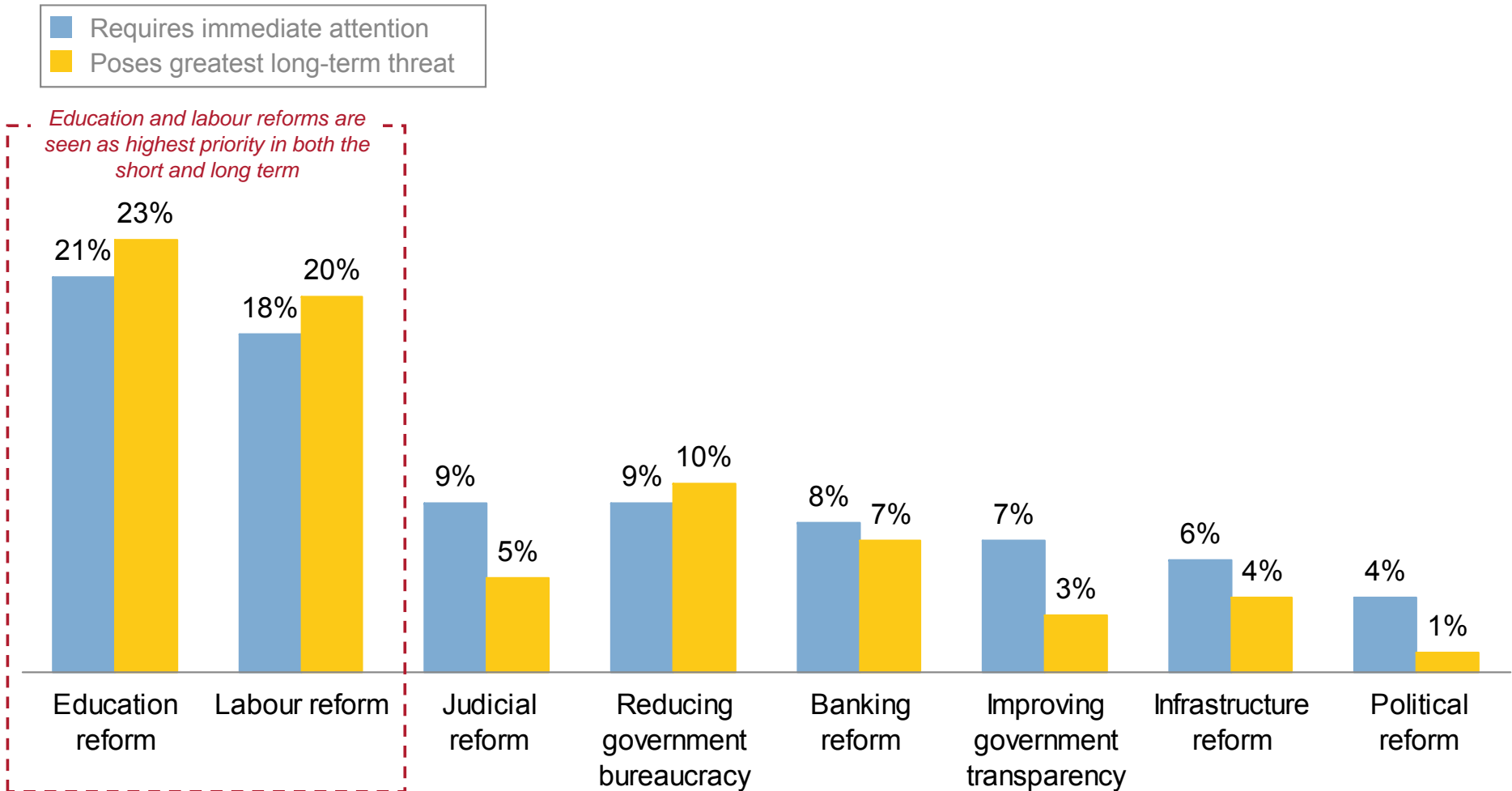


Note: Sample size of 164 for the region. "Not stated" or "Not Sure" responses not shown in graph.
1 Africa/Levant percentage is a combination of responses for N. Africa/Levant and Africa

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The key areas of reform remain in education and labour...

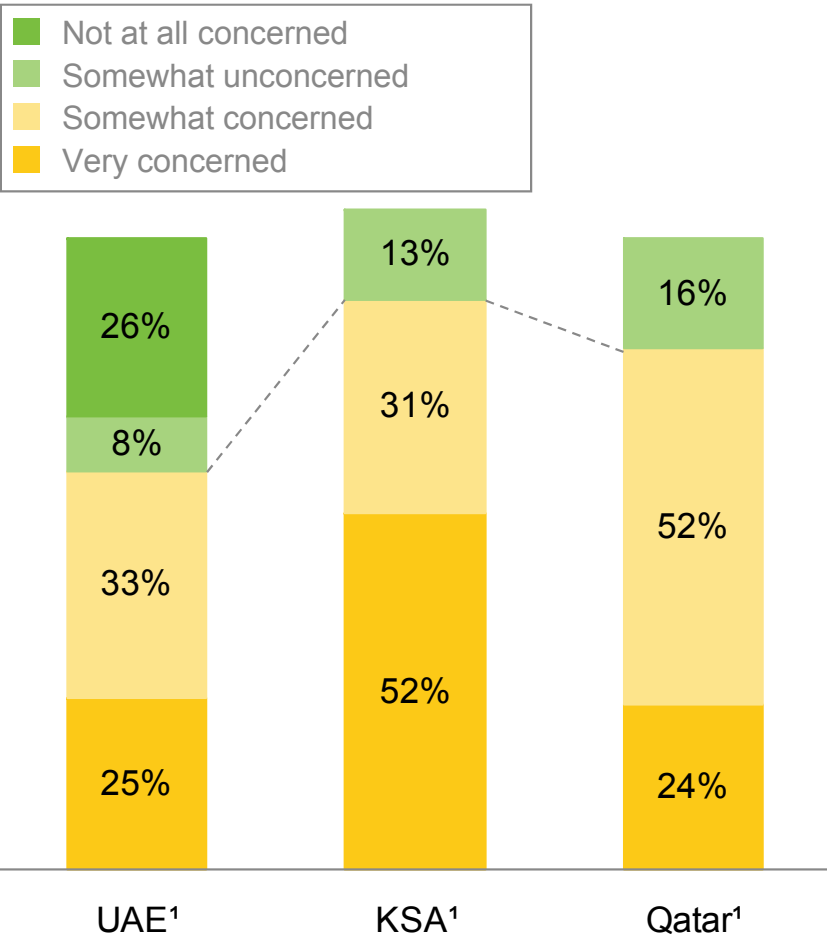
Which issues require immediate attention, and which if left unaddressed, pose the greatest long-term threat to the region's competitiveness?



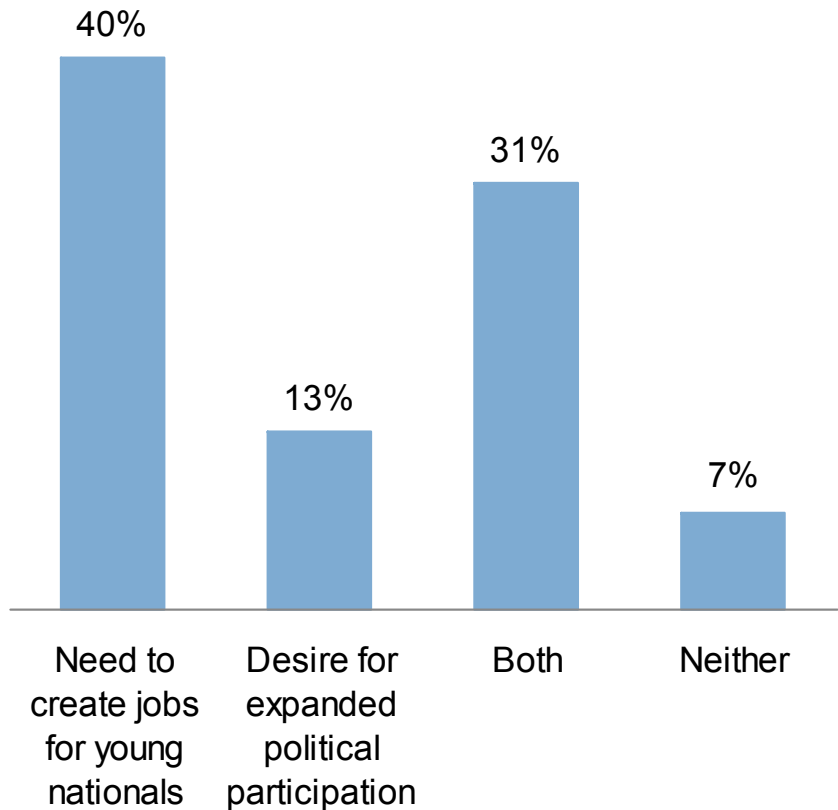
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Growing unemployment among the growing youth population is at the heart of concerns regarding labour and education

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



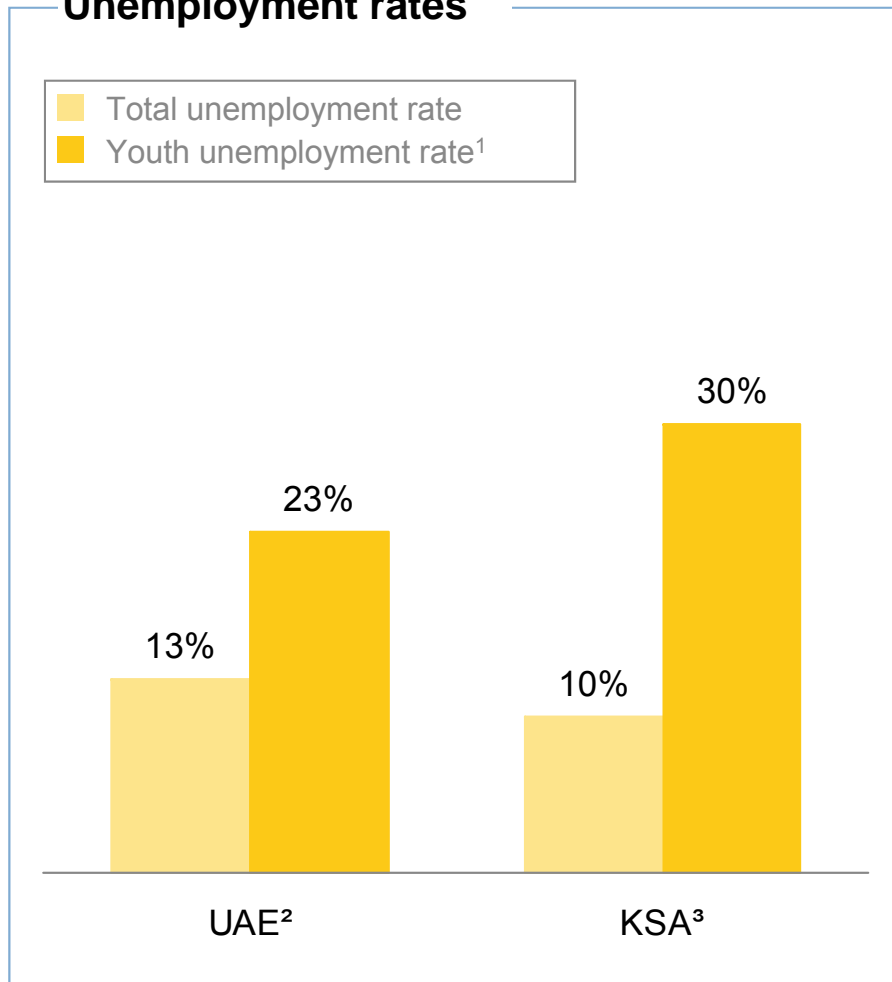
Of the following options, which is the greater challenge facing your country today?



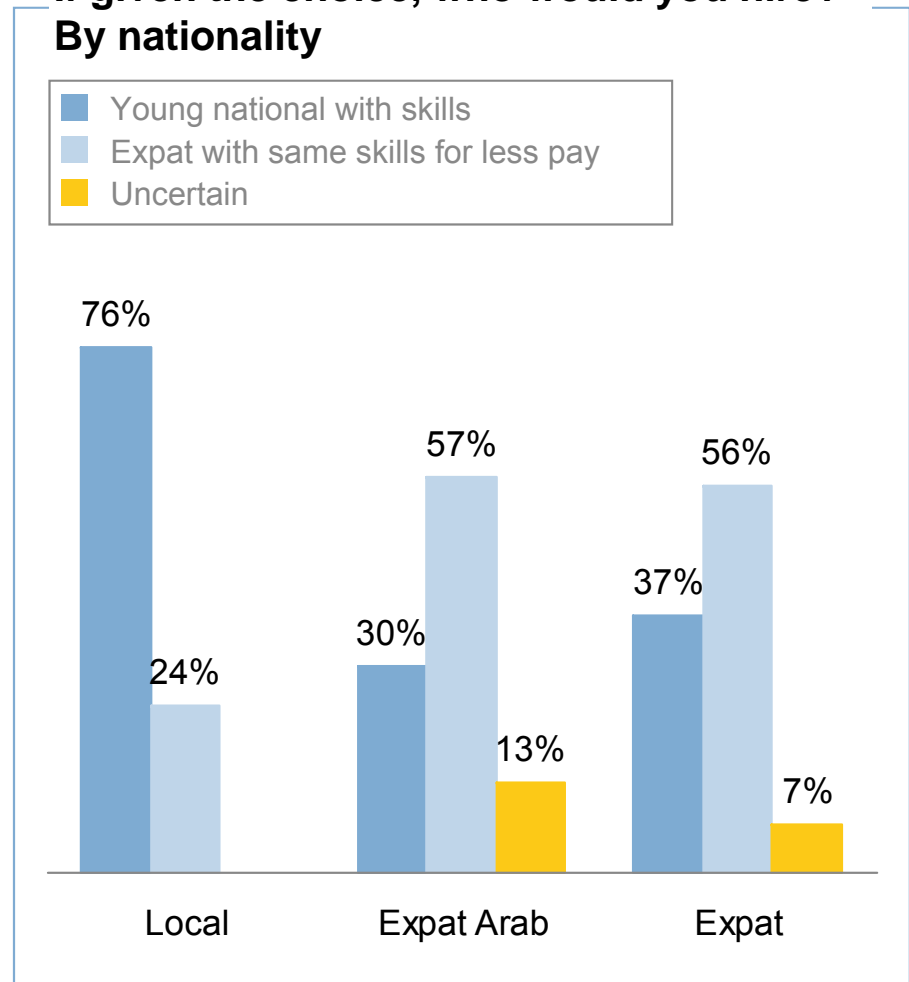
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Youth unemployment is much higher than the national average, a problem further intensified by non-national executives' preference to hire expats at lower salaries

Unemployment rates



If given the choice, who would you hire? By nationality



Source: TIMSS 2007, FNC Health, Labour and Social Affairs Committee, International Labour Office

1 Youth unemployment is ages 15-24 for UAE; ages 20-24 for KSA

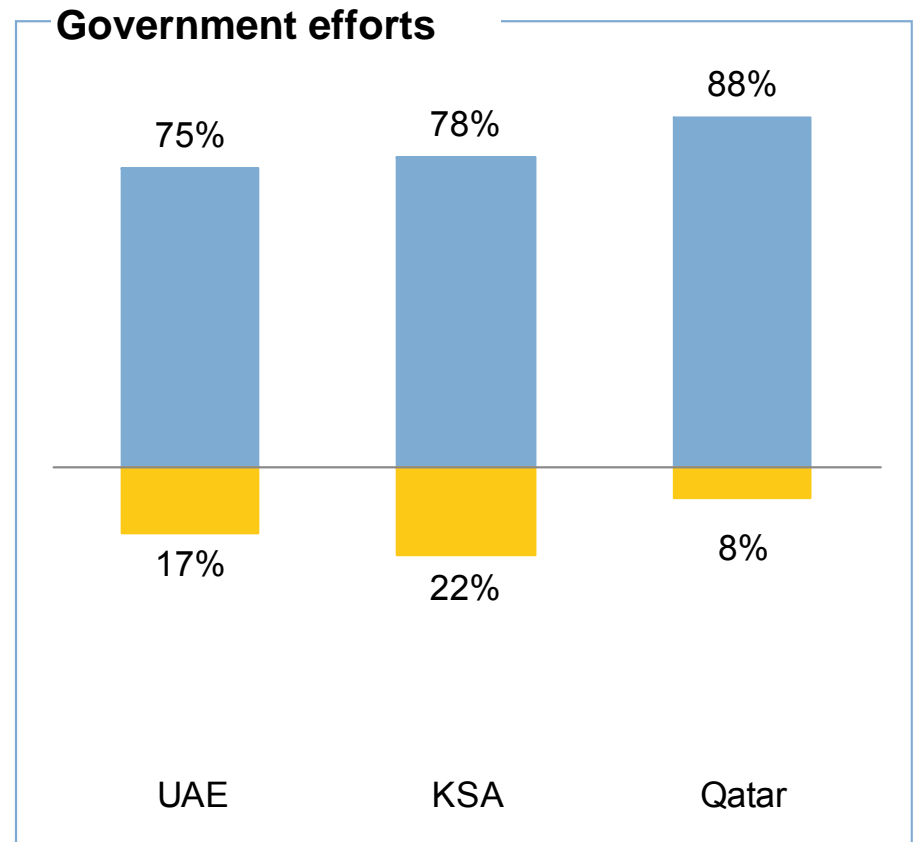
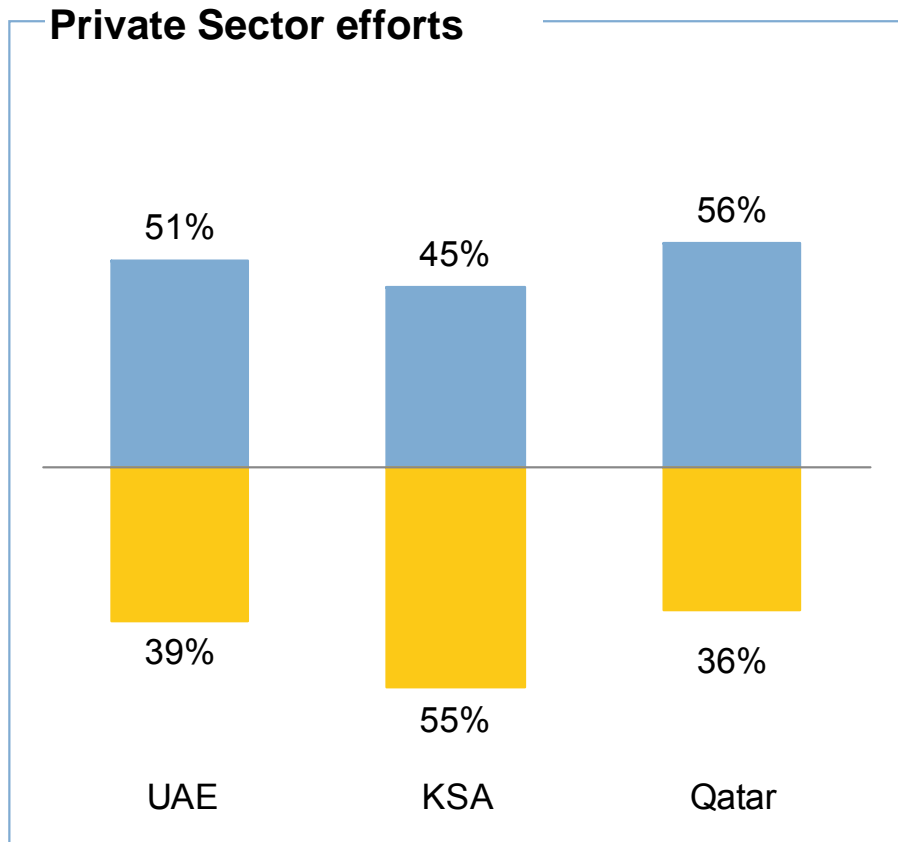
2 2010 figures

3 2009 figures

4 "Local" defined as Emirati, Saudi or Qatari nationality

Government efforts to create jobs for the youth market entrants are rated much higher than private sector...

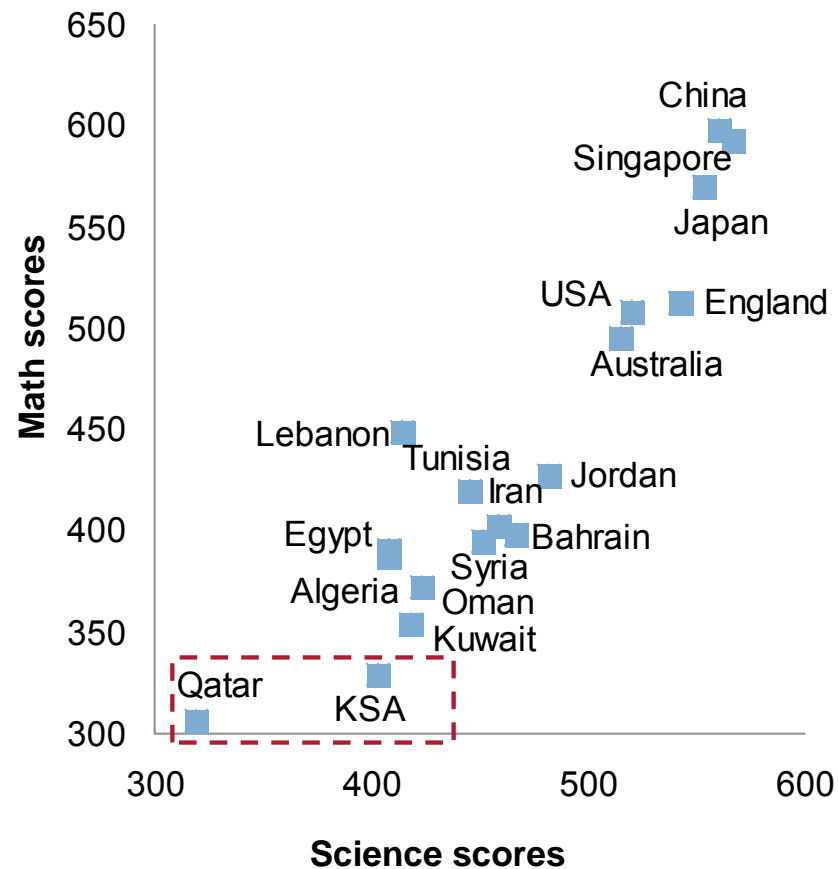
How do you rate the efforts to create job opportunities for young nationals?



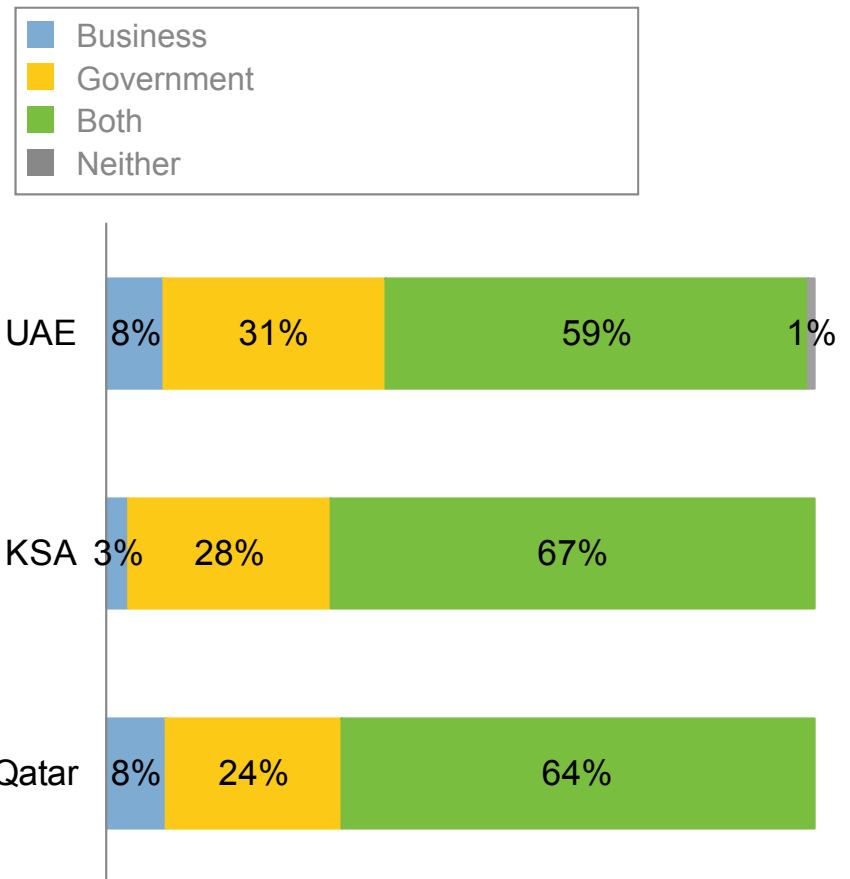
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...and a combination of educational reform and training could increase youths' "marketability" to the private sector

Average Math and Science score for eighth grade by Country
TIMSS 2007



Who should bear the most responsibility for training young nationals?

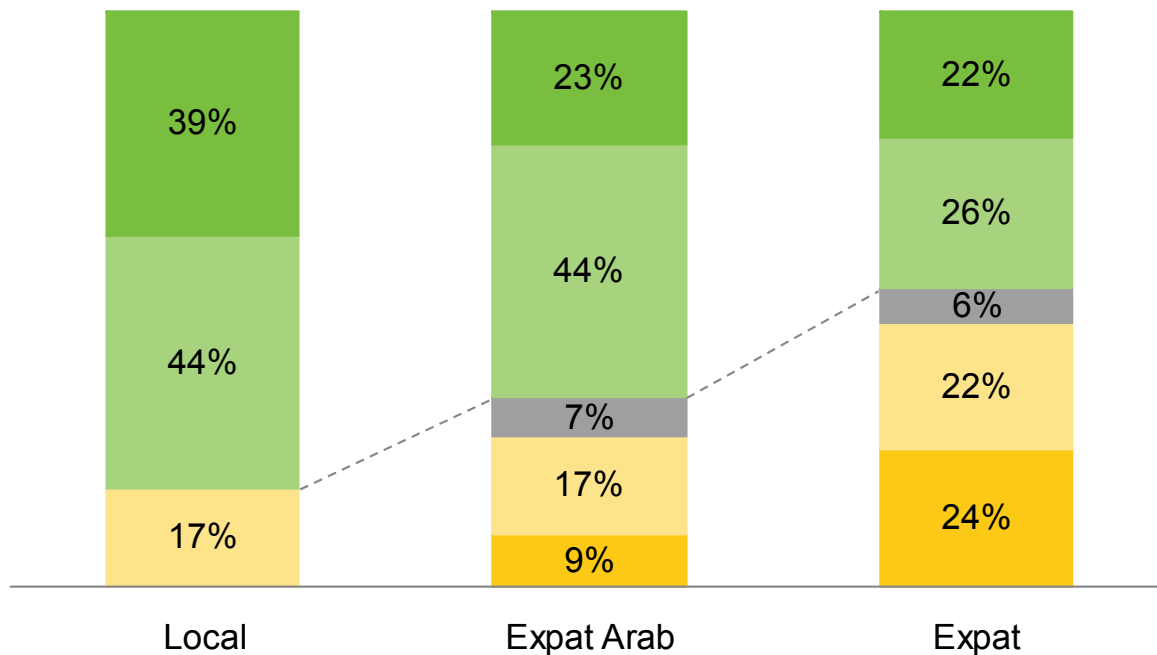


Source: TIMSS 2007, FNC Health, Labour and Social Affairs Committee, International Labour Office

Local executives favour hiring quotas more than expats as an effective tool to solve youth unemployment

Do you agree that quotas for hiring young nationals are an effective way to create job opportunities?

- Strongly agree
- Somewhat agree
- Neutral/Not sure
- Somewhat disagree
- Strongly disagree



Comments

- Expat executives are more likely to be resistant to quota system
- Quota system may not be effective if underlying education and labour reform are not addressed
- “Crowding out” effect of high paying public sector jobs makes quotas less effective

Note: Sample size of 164 for the region. “Local” defined as Emirati, Saudi or Qatari nationality

Key conclusions

- **Business confidence is high** in the region on current and future conditions, although the rate of improvement declined moderately in UAE and KSA
- The perceived impact of **“Arab Spring” on business confidence are largely mixed** in both the short-term and 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
- **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
- While **government efforts to create job opportunities** are viewed **more positively** than private sector, executives (especially non-expat) feel there is a **joint responsibility** to train nationals

OLIVER WYMAN

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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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