

Navigator 2020 UAE



Together we thrive

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Introduction

An export-orientated services sector as well as a large travel and tourism sector made the initial impact of COVID-19 particularly tough for the UAE. However, there are few nations in the world as adept at successful long-term change. By the time our 2020 Navigator survey went live, economic activity had already started to recover. A country built on an ambitious vision of the future is a natural home for the dynamism that will characterise the most effective rebounds from the COVID-19 pandemic.

1. Overview

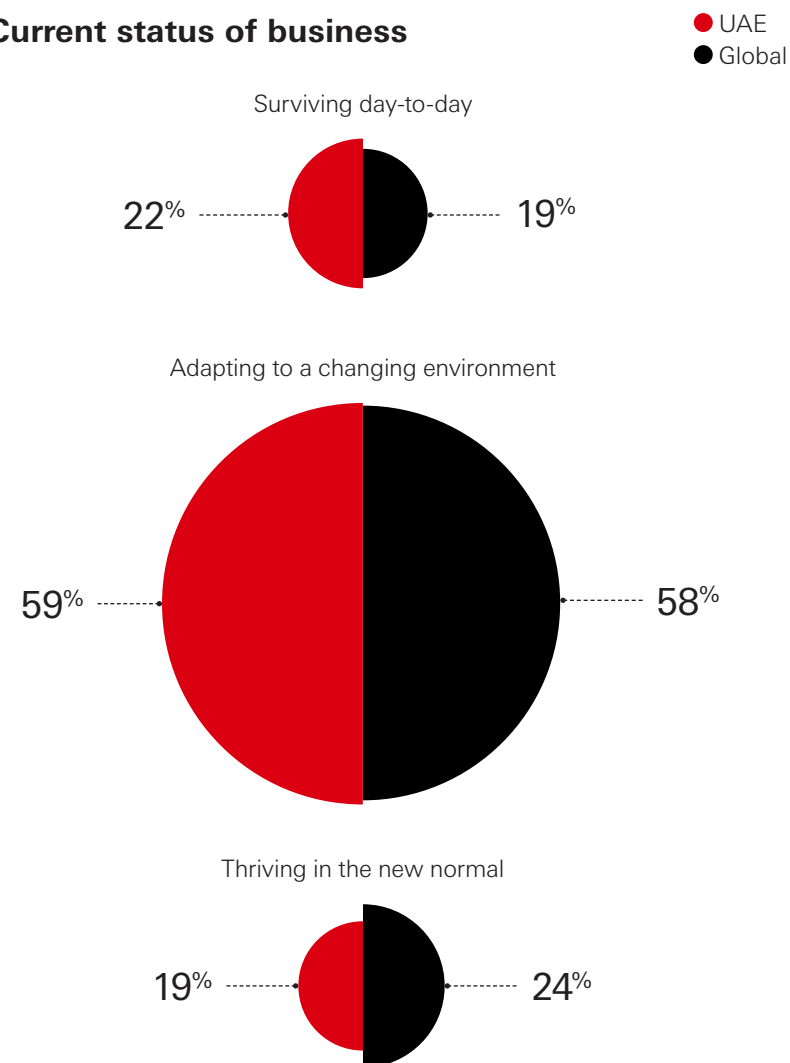
Our 2020 Navigator survey results suggest a **positive outlook** for UAE businesses

The difficult conditions of this year haven't dampened the mood among UAE businesses. Most have adapted to the changing environment, and while optimism has dipped since 2019, companies are still more optimistic than the global average. More than three quarters are also projecting growth in the coming year, though at a lower level than in 2019.

This bright outlook extends to international trade, where UAE companies remain more positive than businesses globally. That's despite many thinking that international trade has become more difficult and seeing further challenges over the next year.

Businesses in the UAE plan to use various strategies to drive growth, including strengthening their supply chain, improving the customer experience and making efficiencies through technology. Becoming more sustainable will also help them grow.

Current status of business



2. Business outlook

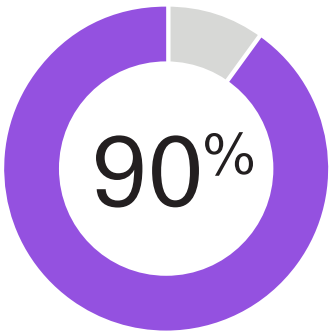


A more conservative outlook still puts UAE businesses **ahead of their peers**

Companies in the UAE have become more conservative in their business outlook since 2019, but not pessimistic. Close to half (45%) of all UAE businesses feel more optimistic, with more than three-quarters (78%) expecting their business outlook to stay the same or become more optimistic, compared with two-thirds (67%) globally.

However, companies are projecting less aggressive growth than in 2019. Fewer companies expect to grow by more than 5% in the coming year (57% compared with 71% in 2019). And more expect to grow by 5% or less (22% compared with 11% in 2019), in line with the global view.

A slightly higher proportion than globally (88% compared with 81%) expect to have returned to pre-COVID levels of profitability by the end of 2022. And just under a fifth (17%) are either ahead or expecting to be back there by the end of 2020.



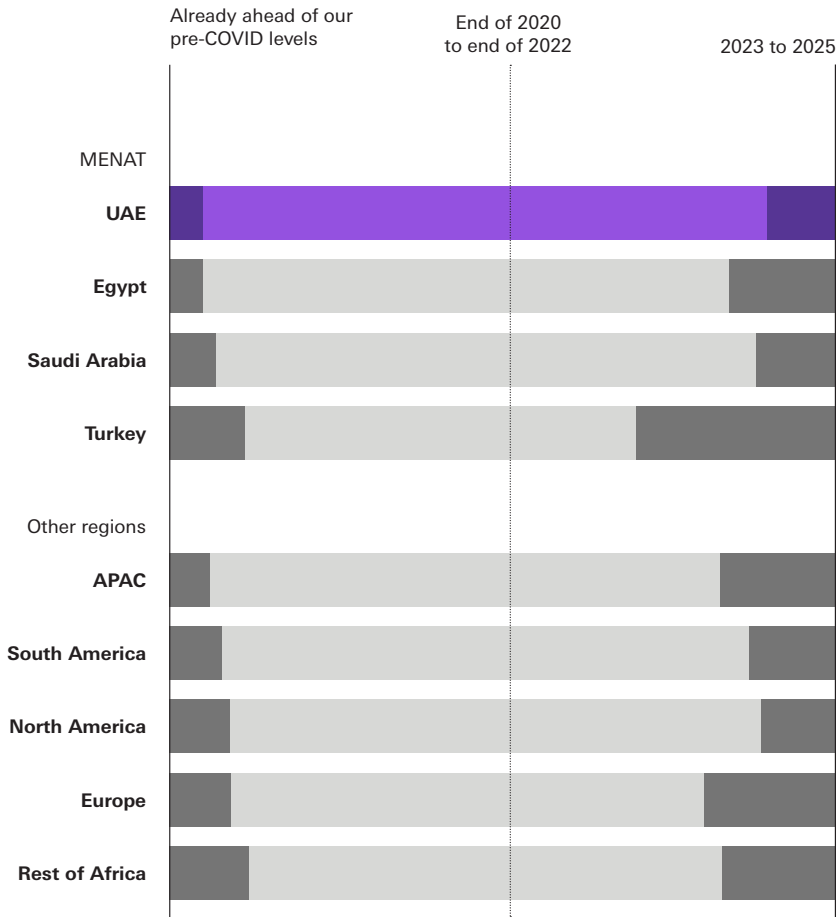
of businesses expect to return to pre-COVID profitability levels by the end of 2022 or are already ahead

Top 3 drivers of business growth



When businesses expect to return to pre-COVID levels of profitability

%

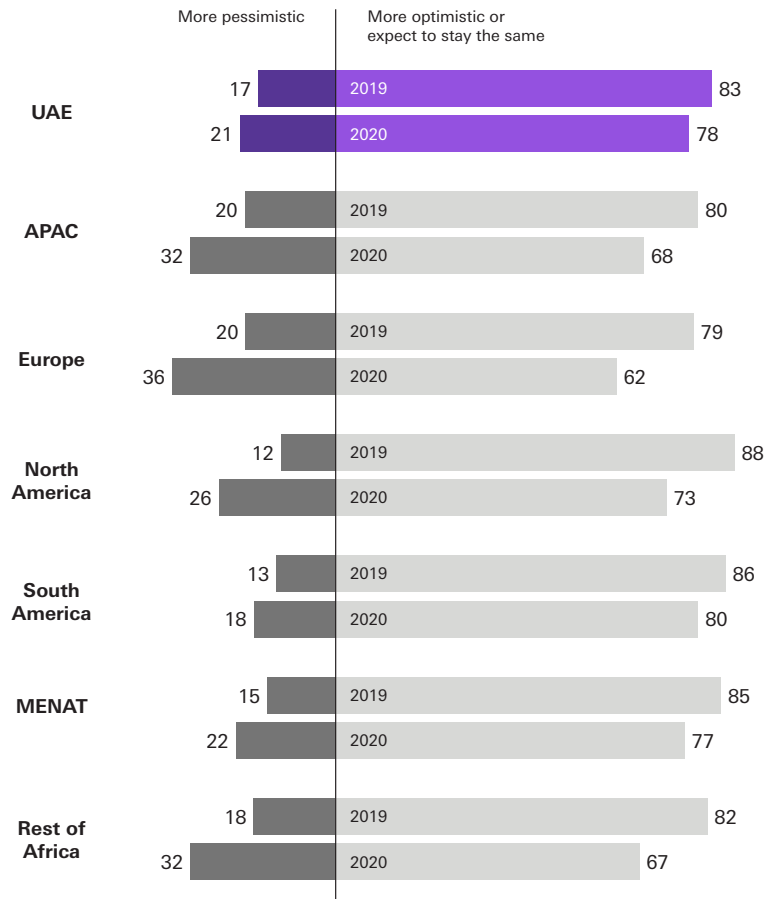


2. Business outlook (continued)



How business outlook has changed in the last 12 months*

%



*Excludes businesses answering 'Don't know'

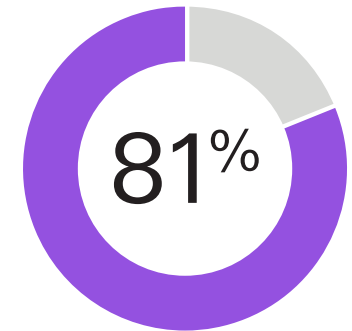
Most companies plan to invest

Just over eight in ten companies in the UAE, compared with two-thirds globally, intend to increase investment in their business in the next year. And fewer plan to maintain or reduce investment (12% compared with 14% globally).

This shows that, despite the events of 2020, businesses in the UAE recognise the need to invest for future growth.

Three-fifths or more will focus that investment on marketing, sales channels, the customer experience, product innovation and cashflow/capital management.

To support this focus, companies will invest in technologies that help them target customers, improve speed to market and enable innovation.



of UAE businesses intend to increase investment in their business in the next year, despite the challenging environment

Strategies of UAE businesses to benefit from growth drivers and address threats



3. Future strategy



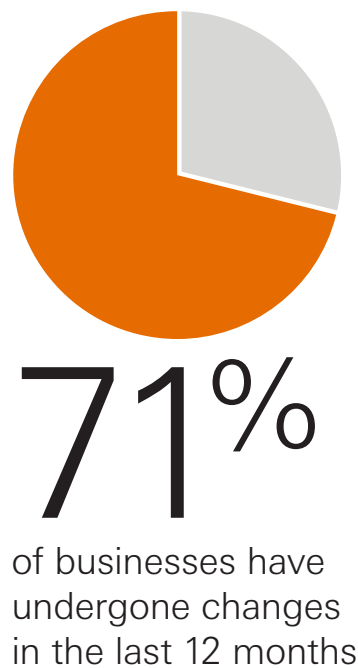
Future uncertainty

and the need to cut costs have driven change

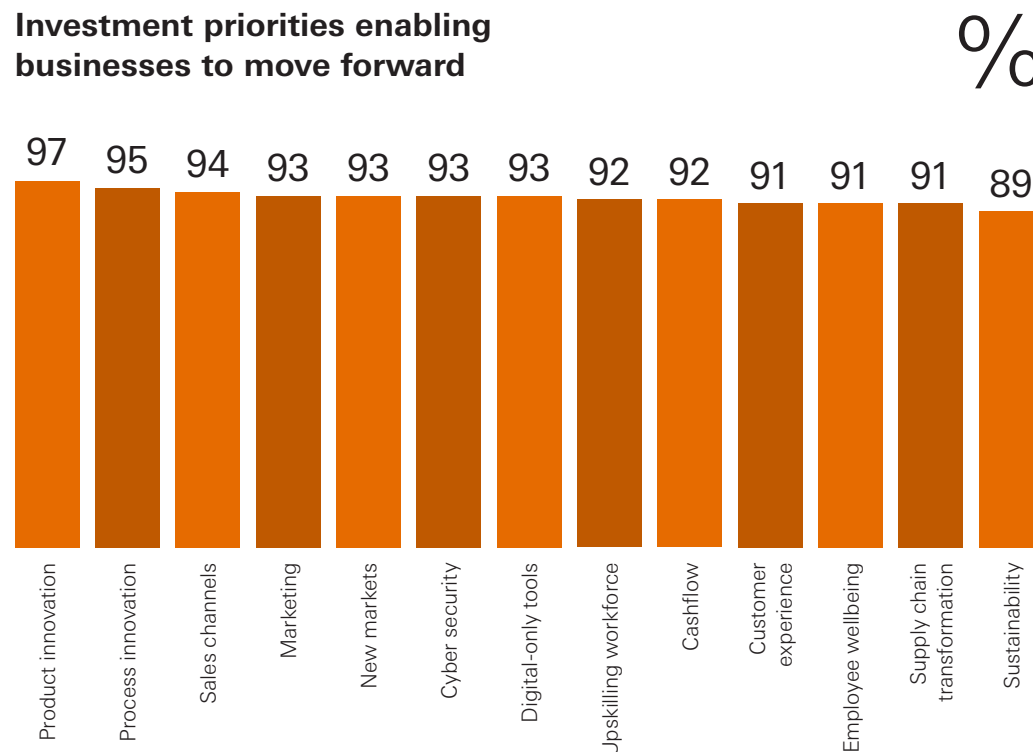
The levels of change among companies in the UAE are close to the global picture. The largest group (55%) have undergone short-term changes but expect to return to previous operations. The second group (29%) have continued as before, while the third group (17%) have undergone long-term/transformational changes.

Future uncertainty was considered a major driver of change, prompting businesses to try and reduce costs. Other drivers were the need to modify ways of working and reshape supply chains, as well as fluctuations in domestic customer demand.

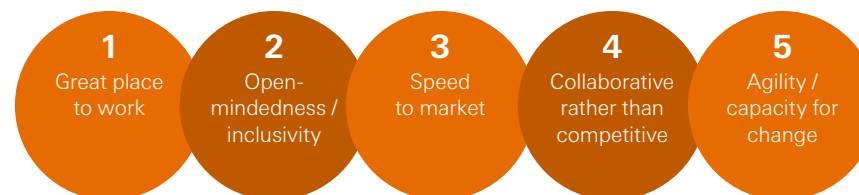
For UAE companies, successful businesses of the future will be well-rounded and have three almost equally important facets: social or environmental responsibility, thought leadership and foresight, and corporate culture and inclusivity.



Investment priorities enabling businesses to move forward



Top 5 facets of a successful entrepreneurial business



4. International trade

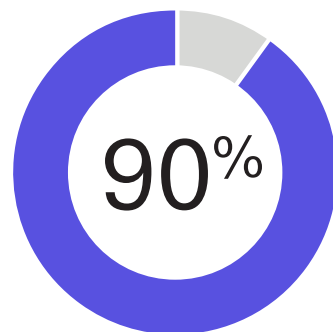


Businesses **remain positive** about the outlook for international trade

Most companies in the UAE (90% compared with 72% globally) have a positive outlook for international trade over the next 1-2 years. And less than a tenth (8%) have a negative outlook, compared with 22% globally.

Interestingly, the majority of businesses (74%) feel that international trade has become more difficult, and over half (55%) expect this to continue in the next year. But despite these conditions, fewer UAE companies have stopped or reduced trading with any markets in the past two years, compared with 2019. And nearly half (47%) are not considering doing so in the next two years. This suggests the overall mood is upbeat.

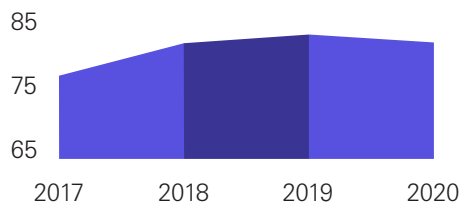
Businesses in the UAE still feel protectionism strongly. Competing on price, differentiation and digital sales channels are the key strategies for companies to combat it.



of companies expect their international trade prospects over the next 1-2 years to be positive

Protectionism

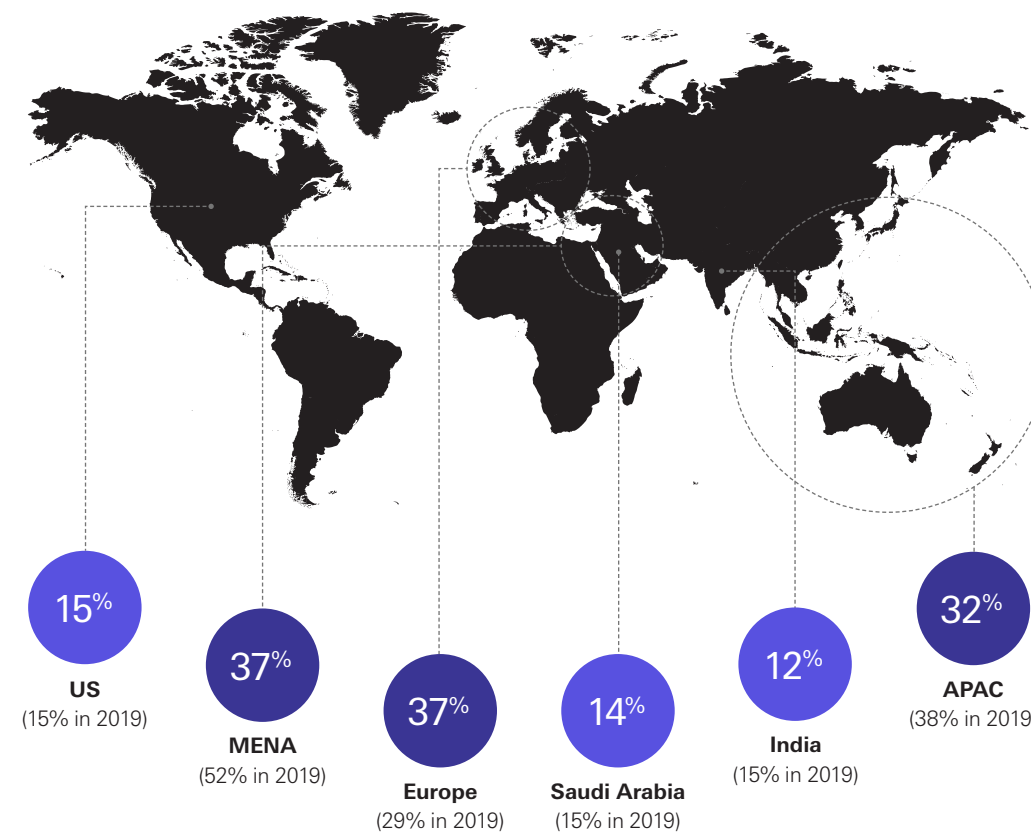
Percentage of businesses that think that countries/territories/governments are becoming more protective of their domestic businesses



Priorities for expansion in the next 3-5 years

Top markets, territories and regions in which UAE businesses are looking to expand their trading

● Markets & territories ● Regions



5. Reshaping supply chains



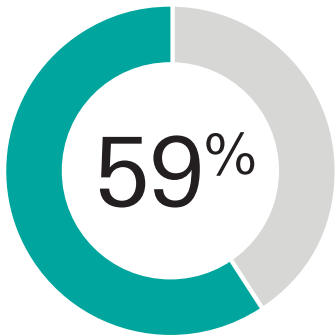
UAE companies are **tightening the criteria** for selecting supply chain partners

Nearly all companies in the UAE (97%) have concerns about their supply chain. Their main issues are supply chain stability, suppliers being distant from either target customers or their businesses, and increasing costs.

In response to these, businesses have been selecting suppliers based on their government’s control of COVID-19 and their operational resilience and ability to deliver quickly. They have also made changes to transportation and storage management.

The use of technology, an improved focus on suppliers closer to customers and home, and operational resilience and transparency are immediate priorities for investment in 2021.

Companies in the UAE expect these investments to deliver more and better-quality information and help them achieve greater regulatory compliance. They also expect to reduce costs and increase speed to market by moving closer to their end buyer/consumer.



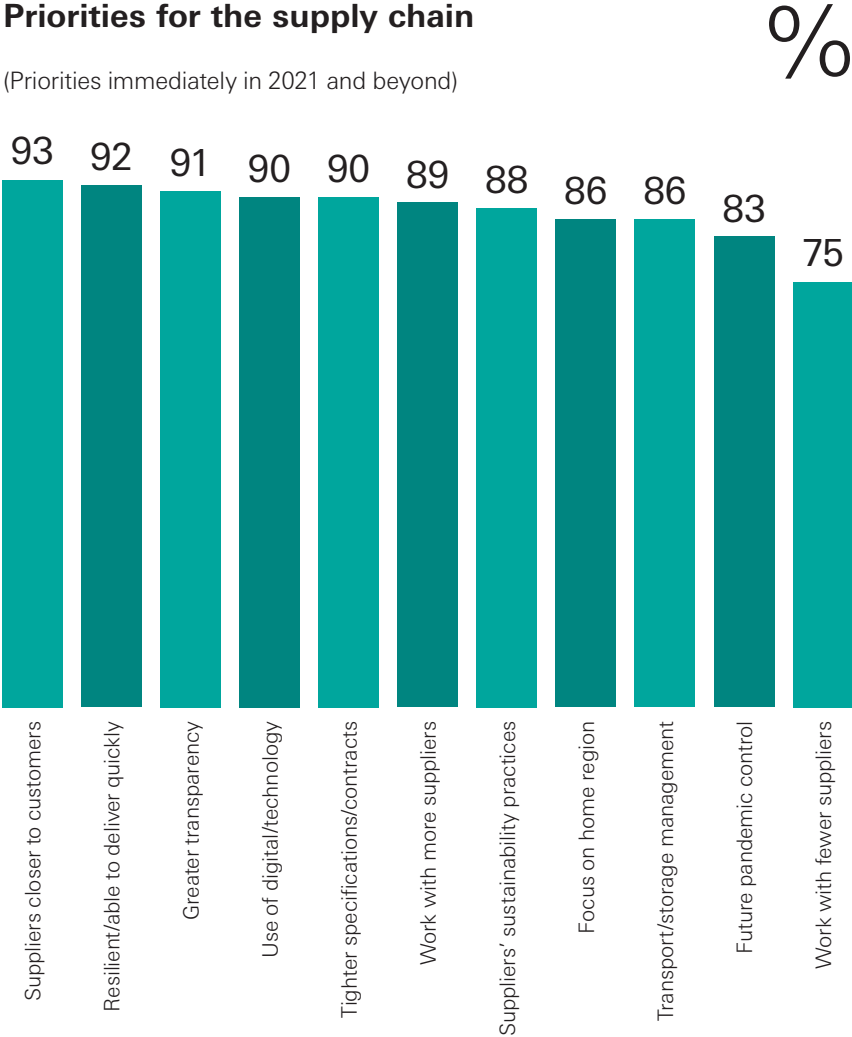
of UAE companies will make it an immediate priority in 2021 to make greater use of digital/technology in their supply chain management

Top 3 benefits of reshaping the supply chain



Priorities for the supply chain

(Priorities immediately in 2021 and beyond)



6. Sustainability

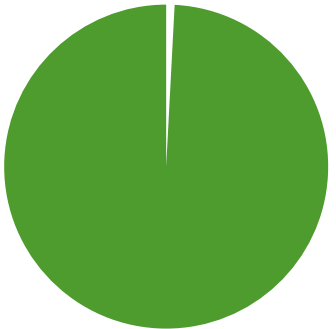


UAE businesses are **among the leaders** at setting sustainability targets

Most companies in the UAE (80%) have set targets for a wide range of environmental, social and governance (ESG) criteria, and more than four-fifths are measuring environmental and social aspects of sustainability.

Between one-third and half of businesses have annual goals in place – designed mainly to target diversity at all levels, water usage, and impact on/investment in local communities. Moreover, between a quarter and a third have also set targets for 2025. Altogether, this means that between two-thirds and four-fifths will have targets in place within five years – which is ahead of the global figure.

Almost all companies in the UAE see multiple opportunities from improving their environmental and ethical sustainability, the most important being increasing customer demand, attracting investment and promoting employee wellbeing.



99%

of UAE companies think there are multiple opportunities for their business from improving their environmental and ethical sustainability

Companies believe a greater focus on sustainability will drive growth

40% expect modest growth of up to 5%

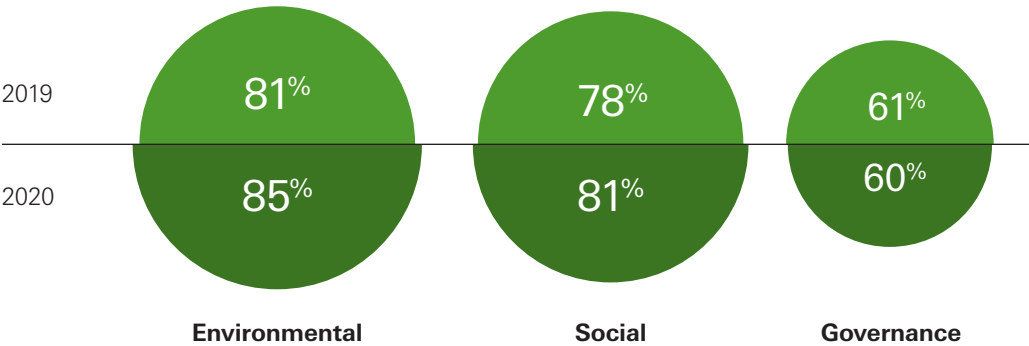
28% expect growth of between 6% and 9%

28% expect growth of 10% or more



Measuring sustainability

More companies are measuring environmental and social aspects compared with 2019



About HSBC Navigator UAE

The HSBC Navigator survey, which is the largest of its kind, is conducted on behalf of HSBC by Kantar. The study gauges sentiment and expectations of businesses in the near to mid-term future on topics including: business outlook, future strategy, international trade, supply chains and sustainability. It is compiled from responses by decision-makers at 10,368 businesses – from small and mid-market to large corporations – across a broad range of industry sectors in 39 markets.

Sample sizes for each market were chosen to ensure the statistical accuracy of results, with 151 businesses surveyed in the UAE. Global results are based on an average of the 39 markets (using weights based on each market's share of world trade). The survey was conducted between 11th September and 7th October 2020. Interviewees were polled on a range of questions including how COVID-19 has affected their business and potential for growth. The survey represents a timely source of information on the fast-evolving international business environment.

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Or click on
www.business.hsbc.com/navigator

Note

There may be a slight discrepancy between the sum of individual items and the total as shown in the tables due to rounding.

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