

Navigator

Now, next and how for business

UAE

UAE

Positive outlook backed up by business sentiment

The UAE’s position as a key regional trade, tourism and transport hub will be reinforced over the short-term by rising oil prices, an improving regional economic outlook, continued infrastructure investment ahead of Expo 2020, and an expansionary fiscal stance. While we expect the economy to underperform previous upcycles as it continues to be weighed down by slow regional demand, rising interest rates and an oversupplied real estate market, the latest HSBC Navigator survey indicates that the majority of businesses in the UAE are confident that they can succeed in the current trading environment.

What is happening now

Domestic and regional economic recovery to support trade

Economic growth in the UAE slowed to an eight-year low in 2017, against a backdrop of low oil prices and voluntary oil production cuts (which came as part of the OPEC-plus agreement to rebalance the global oil market). The economy, however, is expected to recover this year, supported by rising oil prices, an improving regional macroeconomic backdrop and higher public spending and investment ahead of Expo 2020. The UAE’s role as a trading hub means that it should also benefit from improving economic prospects in the MENA region.

Indeed, the HSBC Navigator survey indicates that more than four out of five businesses (86%) believe the outlook for international trade is positive, higher than the global average of 78%. Healthy global economic growth and consumer confidence were most frequently cited as the main reasons for this optimism.

Although India is likely to remain the UAE’s top trading partner and ties with China are rapidly strengthening, respondents also cited a desire to expand business in neighbouring Middle East economies, reflecting the improved outlook for the region. Saudi Arabia and Egypt were mentioned most frequently as markets where respondents are looking to expand, with Oman in third place (Fig. 1). Overall, 89% of UAE firms are confident that their company will succeed in the current trading environment, higher than the global average of 81%.

How your business can respond

- ◆ In light of evolving sanctions regimes, UAE firms with trade ties to sanctioned countries should examine their exposures
- ◆ Ensure your supply-chain strategy is sufficiently flexible to respond to unanticipated protectionist trade policies.

Fig. 1: Which are the top 3 markets where your business will look to expand in the next 3-5 years? (Share of respondents identifying each market)



Source: TNS Kantar

Policy Developments

UAE firms well-aware of rising protectionism

More than four in five (82%) UAE respondents consider that foreign governments are becoming more protective of domestic firms, higher than the global average of 63%. The share for UAE firms is up 5 percentage points from our last survey (conducted in late 2017), suggesting that concerns around rising global trade protectionism are becoming more prevalent.

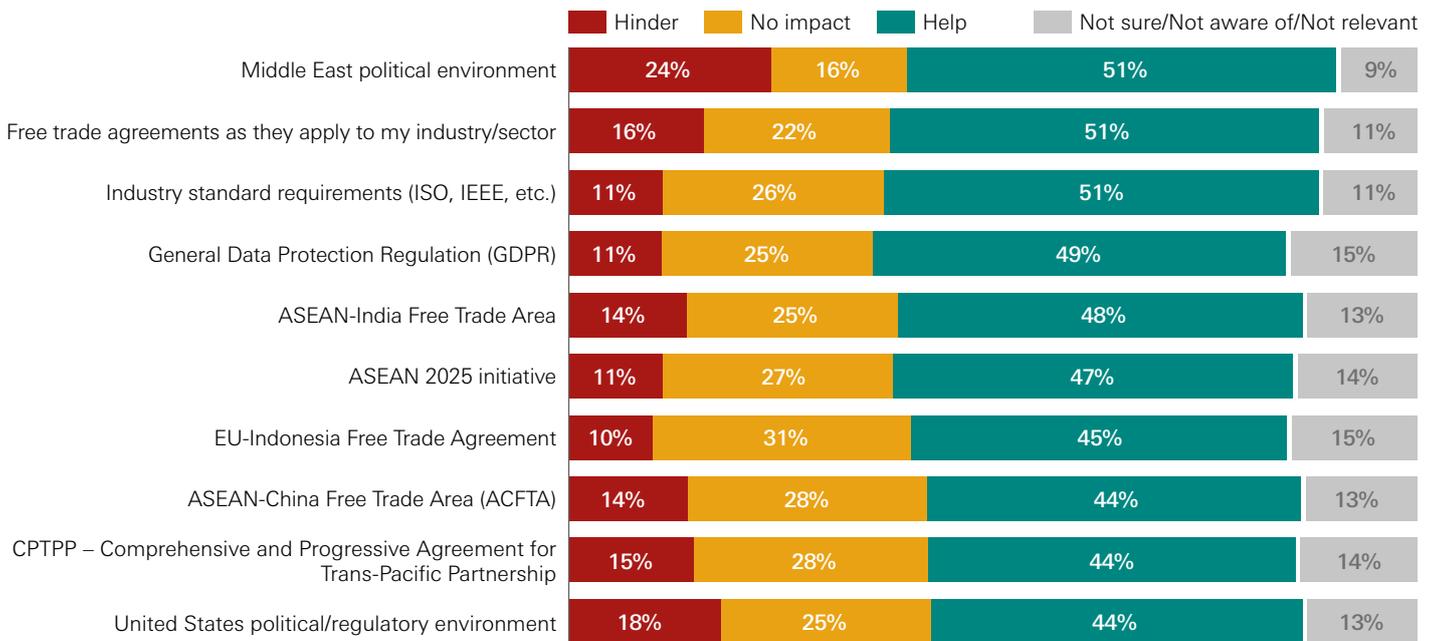
On the regulatory front, views are more mixed. While 37% of UAE firms believe regulations increase the competitiveness of their business, 33% of firms see regulation as an extra cost burden.

Just over half (51%) of the firms surveyed think that the improving Middle East political environment and relatively better security conditions will have a positive impact on their business over the next three years (Fig. 2), albeit this is rather lower than the 61% share that provided a positive response in our last survey. A similar proportion of businesses in the UAE believe that free-trade agreements relevant to their industry have a positive impact on their business prospects over the next three years.

How your business can respond

- ◆ Increase focus on sustainable supply chain strategies to realise reputational benefits and cost reductions stemming from increased efficiencies and risk mitigation.
- ◆ Have you examined how innovations such as predictive data analytics could allow your business to optimise its sales strategy?

Fig. 2: Relevance and impact of policy developments in the next 3 years



Source: TNS Kantar

*May not total 100% due to rounding

What is happening next for business strategy

Increasing market share is a key objective for UAE firms

In the near term, about a third of the firms surveyed identify growing market share as a top priority, while an increasing focus on international markets was also commonly cited (Fig. 3). Businesses in the UAE are also planning to invest in training and development for their staff. This focus on building a skilled workforce will be supported by recent government policy initiatives, such as new and easier visa rules that will aid businesses to attract and retain the best talent.

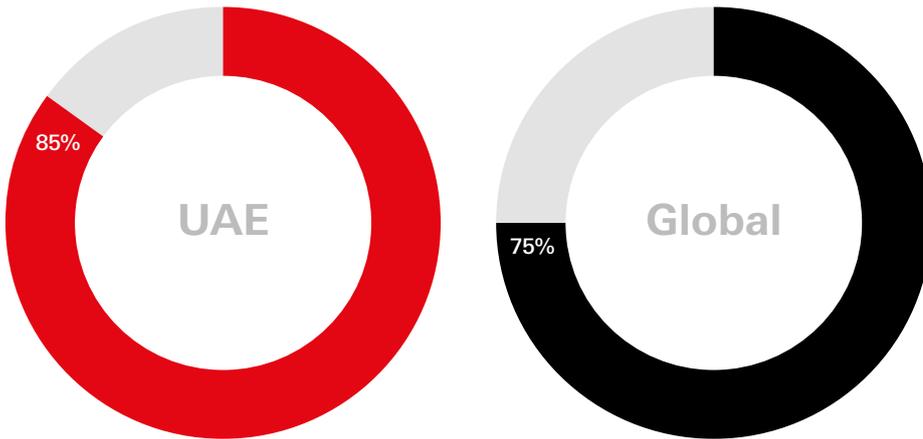
Respondents also reported using data and analytics to advance their business strategies, with a broad set of objectives including driving sales, targeting new customers and improving customer communication. More than 85% of surveyed UAE businesses said they already utilize data to optimize performance (Fig. 4), higher than the global average of 75%. The use of transactional data was the most common (used by 50% of firms) followed by operational data and market data respectively. In terms of opportunities arising from technological and data innovations, the 'Internet of Things' was identified most frequently. On the other hand, increasing regulation around data compliance was most frequently identified as a key challenge.

Fig. 3: Top 3 actions for future company direction



Fig. 4: Using data in business

Share of respondent firms using data to optimise performance



Source: TNS Kantar

Data sets currently being used



Source: TNS Kantar

Increasing use of digitization and technology in supply chain management

The UAE is a highly open economy and regional trading hub, so supply chain management is particularly important for businesses. More than one in four UAE firms surveyed in both the goods and services sectors said they planned to increase the use of technology in their supply chains (Fig. 5 and 6), which was slightly higher than the 23% of respondents for both sectors that identified this change in our last survey.

Fig. 5: Supply chain changes for goods

Top 5 planned supply chain changes in the next 3 years



Source: TNS Kantar

Top 5 objectives behind the changes

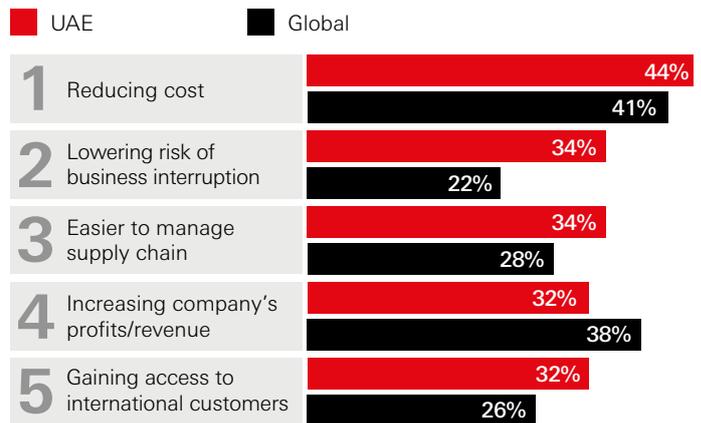


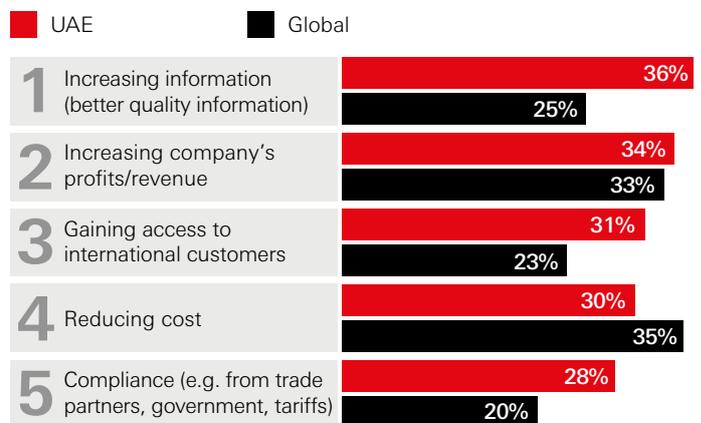
Fig. 6: Supply chain changes for services

Top 5 planned supply chain changes in the next 3 years



Source: TNS Kantar

Top 5 objectives behind the changes



Changing to lower cost suppliers and selecting suppliers based on their sustainability practices were the next most mentioned changes for firms in the goods sector. Just under a quarter (23%) of respondents are planning to do business in new markets, down from 30% in our last survey, which may be reflective of views on increased protectionism. The main objectives behind planned changes to supply chains is to reduce costs and lower the risk of business interruptions.

In the services sector, the most frequently planned change was doing business in new markets (30% of respondents), a similar result to the last survey (27%). Increasing the use of technology and centralizing supply chain management were the next most frequently mentioned changes. Respondents cited increasing information, raising profits and gaining access to international customers as the main objectives behind planned changes.

Firms in the UAE also understand the importance of reducing the environmental impact of their supply chains and combatting unethical employment practices. More than four in five respondents in both the manufacturing (89%) and services (88%) sectors said it is important that their businesses are perceived as ethically and environmentally sustainable.

About HSBC Navigator UAE

The HSBC Navigator survey, which is the largest of its kind, is conducted on behalf of HSBC by Kantar TNS. It is compiled from responses by decision-makers at over 8,650 businesses – from small and mid-market to large corporations – across a broad range of industry sectors in 34 markets. Sample sizes for each market were chosen to ensure the statistical accuracy of results, with 100 businesses surveyed in the UAE. Global results are based on an average of the 34 markets (using weights based on each market's share of world trade). The survey was conducted over a six-week period from July to September 2018.

Interviewees were polled on a range of questions including expectations around future growth in trade, attitudes toward trade policy developments and strategic business plans. The survey represents a timely source of information on the fast-evolving international business environment.

For media enquires please contact:
Natasha Plowman
HSBC Global Communications
Natasha.Plowman@hsbc.com

Or go to www.business.hsbc.com/trade-navigator

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