The GCC 2024 Economic Outlook

GCC Insider Series

Horizon Scanning Brief

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The World in 2024: Navigating a Year of Transformation and Resilience

As we step into 2024, the global economic and business landscape is at a pivotal juncture, shaped by a confluence of evolving monetary policies, technological advancements, and shifting geopolitical dynamics.

The global political landscape, marked by a busy electoral calendar and ongoing geopolitical tensions, is likely to create a degree of policy uncertainty, impacting economic prospects. On the economic front, inflation is expected to moderate further, with global consumer price inflation projected to decrease to 4.7%, a decline from the previous years. This trend indicates a gradual stabilization of the global economy. Central banks, including the U.S. Federal Reserve, are anticipated to reduce interest rates in response to the slowing inflation. The US dollar is predicted to depreciate, while the Japanese yen may appreciate.

Given these dynamics, the global annual real GDP growth is forecasted at 2.3%. While North America and Western Europe are likely to experience growth rates falling short of their potential, Asia, led by China, is expected to see a slow yet steady economic recovery[1].

The latest Chief Economists Outlook launched in Davos (World Economic Forum, January 2024) notes that global economic prospects remain subdued and fraught with uncertainty, as the global economy continues to grapple with headwinds from tight financial conditions, geopolitical rifts and rapid advances in generative artificial intelligence (AI). More than half of chief economists (56%) expect the global economy to weaken this year, while 43% foresee unchanged or stronger conditions.

A strong majority also believe labor markets (77%) and financial conditions (70%) will loosen over the coming year.

Although the expectations for high inflation have been pared back in all regions, regional growth outlooks vary widely, and no region is slated for very strong growth in 2024.

Interestingly, but as expected, there are wide regional variations. The outlook for South Asia and East Asia and Pacific remains positive and broadly unchanged compared to the last survey, with a strong majority (93% and 86% respectively) expecting at least moderate growth in 2024. China is an exception, with a smaller majority (69%) expecting moderate growth as weak consumption, lower industrial production and property market concerns weigh on the prospects of a stronger rebound.

[1] Top 10 economic predictions for 2024, S&P global market intelligence, December 18, 2023,
Top Ten business trends for 2024 and forecast for 15 industries, t=The Economist, November 13, 2023

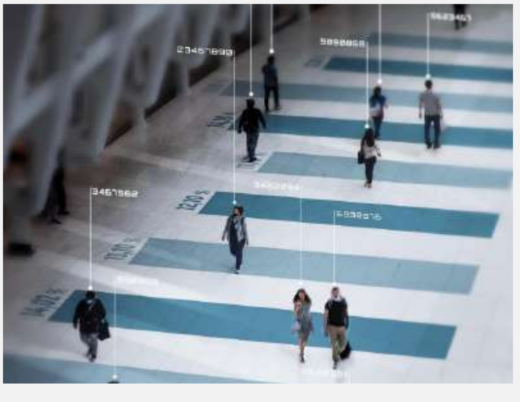
As we enter 2024, the World Economic Forum's Global Risks Report (January 2024) results highlight a predominantly negative outlook for the world over the next two years that is expected to worsen over the next decade. The report points to four structural forces that will shape the materialization and management of global risks over the next decade.

These are longer-term shifts in the arrangement of and relationship between four systemic elements of the global landscape:

Trajectories relating to global warming and related consequences to Earth systems (Climate change)

Developmental pathways for frontier technologies (Technological acceleration)

Changes in the size, growth and structure of populations around the world (Demographic bifurcation)



Material evolution in the concentration and sources of geopolitical power (Geostrategic shifts)

These mega trends will shape our global economy in 2024 and will be taking place parallel to the evolution of some key business sectors. At the forefront of which is the renewable energy sector.

Amid efforts to combat climate change, renewable energy consumption is set to climb, although fossil fuels will remain predominant.

The surge in electric vehicle sales, supported by government policies, will be a notable trend in the automotive sector. The solar energy sector is also anticipating a breakthrough with the introduction of highly efficient perovskite solar cells. Overall, the renewable energy, particularly solar and wind, is rapidly approaching a milestone, potentially surpassing coal as the world's primary electricity source, a shift hastened by global energy policies.

IT is another sector which will witness significantly increased spending, with a focus on cybersecurity and artificial intelligence (AI), despite the latter generating limited revenue. However, looking beyond AI, the most exciting developments could come from quantum computing which is making strides towards practical application, though significant challenges remain in harnessing its full potential.

With the continued global rebound from the COVID-19 pandemic, international tourism is also set to reach record revenue levels. In parallel, an ageing global population will lead to increased spending on healthcare and the silver economy in general, making it a significant part of the global GDP.

Overall, 2024 is set to be a year marked by transformation and resilience. Economic and business environments will continue to evolve, driven by policy shifts, technological advancements, and changing consumer behaviors.

The Gulf Cooperation Council (GCC) in 2024

The GCC played an outsized role in global affairs during 2023. Its economy has grown considerably to $2.3 trillion, more than a 12-fold increase in four decades.

Today, the GCC has emerged as a critical node in the international supply chain networks and finds itself in a period of focusing on key strategic shifts including judicious oil production cuts, a pronounced acceleration towards technological innovation, and leadership in global sustainability efforts, notably led by the Presidency of COP28 in the UAE.

Once primarily recognized mainly for its oil reserves, the GCC is now working on redefining its economic identity, emerging as a vital transport and logistics corridor that commands global attention.

GCC in 2024: The Only Way is Up

2024 is expected to be a year of higher overall economic growth for the GCC countries, albeit slower growth, and more turbulent, with wide variations between the six countries in the block. Overall, the economic growth momentum in the GCC is set to pick up pace in the next two years as the countries continue and accelerate their diversification efforts.

Overall, the region is forecast to grow by 3.6% and 3.7% in 2024 and 2025 respectively[2].

However, the six countries are not equal. The nuanced dynamics of cooperation and competition among GCC member states, as they navigate paths toward economic diversification, present a unique paradigm of regional unity and individual ambition.

Moreover, the favorable overall economic environment should not conceal the structural vulnerabilities of some GCC economies such as Bahrain and Oman[3], due to their significant public debt, inherent fiscal vulnerabilities, and comparatively lesser natural resources than their regional counterparts. Bahrain has the highest public debt-to-GDP ratio in the region, reaching 125% in 2023 and projected to be 128% in 2024, according to the IMF[4], with a fiscal breakeven oil price around USD 125 per barrel for the year. Oman's debt dynamics seem more balanced, but it suffers from structural fiscal weaknesses as well, mainly on the back of limited natural resources. In its 2024 budget, Oman forecasted a $1.7 billion 2024 budget deficit

[2] UAE's non-oil business activity hits highest level in four years. The national news. 2023.
[3] Gulf cooperation council: a real winner of the global economic headwinds? Coface. 2023
[4] Bahrain boosts diversification through tourism and financial technology. Oxford business group. 2023.

A key determinant in the regional growth equation is (still) the oil price.

In this domain, the picture is mixed after several months of pessimism about global oil demand. More recently, prices started to rise slightly following the announcement by OPEC+ of the extension of their production cuts while non-OPEC production increased considerably in 2023 and 2024 is expected to follow suit.

Whichever direction the oil prices go, so will GCC growth.

The link between oil price and level of economic activity in the GCC, driven by government spending remains a clear fact in all six countries (with varying degrees).

Overall, the only way for GCC growth (as a block) in 2024 seems to be up from 2023, but the question is by how much.

Saudi oil export revenues declined in October by $4.9 billion on an annual basis. Revenues in October 2023 were $21.93 billion compared to $26.84 billion in the same period of 2022.[5]

A slight increase in oil prices due to uncertainty in supply-side pressures may not offer any significant benefits to GCC countries.

The same applies if tensions reduce in some spots and we will see oil prices drop causing more fiscal prudence.

The current EIA forecast for oil in 2024 is 82 USD per barrel, Citi analysts put it at 75 USD pb, while Oman and Qatar have used 65 USD and 60 USD in their national budget for 2024.

These budgetary strategies, including the adjustment of oil price assumptions, reflect its response to the dynamic and volatile nature of the global energy market.[6]

As such, non-oil activity is considered to be the main growth driver in GCC countries in 2023 and subsequent years, supported by a moderate expansion in investment, while private consumption is set to remain subdued compared to pre-pandemic historical trends.

[5] General authority for statistics

Looking back, the performance of GCC's stock market clearly demonstrates the success of the region's strategic diversification initiatives overall. This is particularly noticeable in the significant upsurge in IPO activity, positioning the GCC region as a standout performer on a global scale. In the Middle East and North Africa region, the first three quarters of 2023 saw 29 IPOs, generating total proceeds of $5.8 billion. Notably, all these listings occurred within the GCC. In fact, the GCC accounted for nearly 45% of total IPO volumes in Europe, the Middle East and Africa in 2023, compared with 51% in 2022.[7]

In 2023, stock markets in the GCC concluded the year predominantly on a bullish trend, mirroring a robust recovery in the regional economies.

The GCC equity market index wrapped up the year with a 3.7% increase, despite varying performances across individual countries. Notably, Saudi Arabia's Tadawul, the largest in the Arab world, saw a 14.2% rise, while the Dubai Financial Market led with a 21.7% increase.

For a global benchmark, investments in the S&P 500 generated a 24% return in 2023. Other regional markets showed mixed results; Qatar's stock market grew by 1.4%, Bahrain's by 4%, whereas Oman and Kuwait's markets fell by 7.1% and 6.5%, respectively.[8] The growth in GCC stock markets is likely to remain robust, and mixed bag, heading into 2024.

Nonetheless, despite ongoing efforts to diversify GCC economies away from oil, non-oil growth is projected to be insufficient to offset the decline in oil growth over the short term, as productivity gaps in the non-oil sector persist posing challenges for job creation and inclusion.

While the region is expected to grow by 3.6% in 2024, the oil economy is projected to contract by 3.9%, unless geopolitical events in the Middle East lead to oil price volatility.

UAE’s non-oil economy was expected to grow by 4.5% in 2023 thanks to the country’s diversification efforts, while Saudi Arabia’s non-oil sector was expected to grow by 4.3% led by several sectors, including trade, hospitality, manufacturing, construction and others.

Diversification efforts are also expected to drive growth in Bahrain, Kuwait, Qatar and Oman but at a slower pace. In Kuwait, the non-oil sector is projected to grow by 5.2% supported by private consumption and loose fiscal policy.[9]

[6] Qatar lowers oil price assumption for 2024 budget to $60/bbl - QNA, reuters. 2023
[7] The Mideast IPO boom is expected to stretch into 2024. Bloomberg. 2023.
[8] GCC equity markets: 2023 - the year that was. Kamco invest. 2023.
[9] Economic diversification efforts paying off in GCC region but more reforms needed. World bank. 2023.

Competition, Cooperation and Diversification

On some fronts, the GCC are working closely together. An example, is the recently approved unified Gulf tourist visa which will contribute to facilitating the movement of residents and tourists between the six member countries. They also adopted a directive to develop a comprehensive Gulf strategy tailored to combat drugs, which have become a burden for the Gulf and global society at all levels. Additionally, the ministers also approved the launch of the first phase of the project to link traffic violations electronically among the GCC countries. [10] [11]

Within this operational regional cooperation, we also see the rise of healthy, and intensifying, economic competition. In the near future, the main focus for all GCC states is diversification; something each national vision document focuses on. [12] These Vision documents collectively signify a strategic shift towards diversifying the economic and geostrategic agendas of these countries, moving away from a sole reliance on oil-driven growth, a trend that is set to shape their development not just in 2024, but for many years to come.

One of the most closely watched countries in this domain now is Saudi Arabia. In 2023, the Kingdom secured more venture capital investments than its main regional competitor, the United Arab Emirates, for the first time last year as government-backed funds boosted spending in the sector. Startups in the kingdom raised $1.4 billion, a 33% increase from a year earlier and just over half of all venture capital funding raised in the Middle East and North Africa in 2023, according to Dubai-based venture capital data platform Magnitt. [13]

In January 2024, Fortune reported that Amazon, Microsoft and Google are opening Saudi Arabia HQ's.

The Kingdom also introduced five new visas for investors and entrepreneurs. Last, and critically, Saudi is investing robustly. The Saudi Arabia's Public Investment Fund alone spent $31.5 billion in 2023, about a quarter of the amount invested by sovereign wealth funds worldwide.

The UAE on the other hand has solidified its place as the regional global trading hub with a record non-oil foreign trade of $338bn in first half of 2023, while rushing to open global partnership with unique free trade agreements (termed comprehensive economic partnership agreements) signed with major growth economies like India, Turkey, and Indonesia with a target to sign 27 in total.

[10] Gulf states approve unified tourist visa, launches electronic system to link traffic violations. Fast company middle east. 2023.
[11] Al-hamad: boosting commercial arbitration to attract foreign investments in GCC nations. Zaywa. 2024.
[12] Saudi vision 2030, UAE Vision 2071, Oman Vision 2040, Qatar Vision 2040, Bahrain Vision 2030 and Kuwait Vision 2035
[13] Saudi Arabia Overtakes the UAE in Middle East VC Fund Raising. Bloomberg. 2024.

The challenging part in our view in this regional race for diversification, and a core driver for the rising intra-regional competition, is that GCC countries are targeting almost the same sectors (construction, tourism, finance, media, technology). Each state endeavors to carve out its niche, be it in tourism, finance, technology, or culture, fueling a healthy competitive spirit that drives innovation and progress. However, the key risk resides in cannibalistic competition within the region rendering many results suboptimal for all. For example, it is simply not possible or feasible that a region of less than 40 million people like the GCC has almost six international financial centers competing to attract the same firms and same headquarters and talent.

GCC countries must embark on a transformative policy shift in their diversification endeavors. They need to diversify their diversification plans and specialize. This shift entails departing from the prevailing multi-sectoral, emulative strategies often espoused by advisory entities and instead embracing a more strategic and nuanced approach. This approach involves the meticulous identification and cultivation of unique value propositions intrinsic to each GCC nation.

It is imperative that these nations concentrate their efforts on a select 2-3 sectors wherein they possess a distinct competitive edge, with the overarching objective of achieving global leadership within those chosen sectors (instead of the current plans that seem to aim for regional leadership in 10, or more, sectors in each country).

Such a paradigm shift necessitates a rigorous assessment of indigenous strengths, the allocation of targeted investments to propel innovation, and the establishment of collaborative partnerships conducive to fostering sustainable growth.

Additionally, a key risk remains that the main short-to-medium-term financing sources for all these diversification strategies are based on oil revenues. More foreign direct investment, wider workforce participation, and much more diversified exports are critical for the private sector to eventually become a key economic driver.

The GCC's ability to maintain this equilibrium between competition and cooperation is key to its success and resilience in an increasingly interconnected and competitive world. Much like many lessons from the EU, this is not an equilibrium that can be taken for granted and must be nurtured.

Growth Engines: Trade & Investment

Situated at the global crossroads, the GCC region has a natural geographic advantage.[14] The region's strategic location greatly benefits the movement of goods and services, establishing it as a crucial hub for worldwide commerce, and the logistics sector, while advanced, is ripe for further development.

The region is increasingly becoming a focal point for new Eurasian transport corridors that offer alternative trade routes and geostrategic alliances for regional heavyweights and major international powers. The highly anticipated GCC railway project is moving forward to connect the GCC countries with an integrated railway network extending from the State of Kuwait to the Sultanate of Oman, with a total length of 2,177 km.[15] In 2023, the UAE, Saudi Arabia, Jordan and Israel, along with the US, the EU and India, signed a Memorandum of Understanding (MoU) to develop the India-Middle East-Europe Economic Corridor (IMEC).[16]

As logistics continues to grow, it's set to become a foundational pillar of the GCC's economic landscape, reflecting the region's adaptability to global trends and commitment to economic diversification and regional integration.

In February 2024, the UAE will chair and host the World Trade Organization's 13th Ministerial Conference and further solidify their position as a global hub.

A major highlight in this regard in 2023 was the inclusion of Saudi Arabia and UAE in BRICS. The two largest GCC countries will now have exposure to new economic horizons, trade and investment opportunities, with easier access on favorable terms to a market of nearly 40% of the world's population and almost 28% share of the global economy. The implications of joining this block will be more imminent in the medium to long term, but the trajectory and the balanced-pivot are clear now.

Apart from trade, there is an increasing focus by the GCC nations on expanding their foreign asset base and ensuring their investments are well diversified across asset classes. Based on GCC central bank estimates, the gross foreign assets of the GCC will continue to increase to 4.4 trillion US Dollars in 2024. About 35% of GCC investments are in equity, 22% in bank deposits, 17% in foreign direct investment abroad, 7% in US Treasuries, 10% in bonds, and the remaining 9%, in a range of less liquid investments, including non-US bonds, mergers and acquisitions, and hedge funds. By region, 65% of the investments are in North America and Europe, 20% in Asia Pacific, 10% in other MENA countries, and 5% in Sub-Saharan Africa and Latin America.[17]

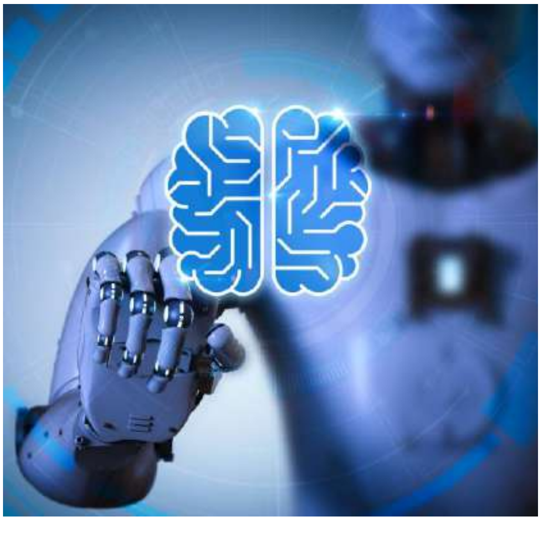
In August 2022, The International Monetary Fund (IMF) has projected that the oil-rich Middle Eastern states could make up to $1.3 trillion in additional revenues over the next four years. Whatever the final tally is, the only way is - again - up. The GCC is now becoming the global capital of capital.

[14] In the Middle East, the route to logistics success is through supply chain "density". Strategy&. 2023
[15] GCC Railway: New Phase of Economic Integration and Trade Between GCC Countries. QNA.2023.
[16] Memorandum of Understanding on the Principles of an India – Middle East – Europe Economic Corridor: The White House. 2023
[17] GCC countries' gross foreign assets will swell to $4.4 trillion by next year. National News and International Institute of Finance. 2023.

Pushing the Technological Frontiers

AI could contribute $15.7 trillion to the global economy by 2030. Of this, 2% – or $320 billion – is expected to benefit the MENA region. The annual average growth in the contribution of AI to GDP in the region is expected to range between 20% and 34% in the 2018-30 period.

In the coming years, Saudi Arabia is poised to see the largest contribution to GDP in real terms from this transition, at $135.2bn by 2030, while the UAE is expected to accrue the largest relative impact, at 14% of 2030 GDP.[18] Regional estimates [19] point to the fact that GCC countries could realize about $9.9 of economic growth for every $1 invested into generative AI, the pace of which could unlock $23.5 billion per year by 2030.[20] The UAE is at the forefront in adopting generative AI, evident through the Technology Innovation Institute's launch of the Falcon LLM, enhancing the region's AI capabilities.[21] Industry specialists suggest that the UAE could emerge as the third most pivotal nation in AI, following the United States and China.[22]



There is also a growing shift towards cloud computing in the GCC region. The adoption of cloud computing by SMEs in the GCC is expected to double the market size by 2024, with 77% of UAE CIOs stating that they are investing in cloud technology. The cloud computing market in Saudi Arabia has been steadily expanding, with annual spending on public cloud services projected to reach US$2.5 billion by 2026.

As of Q2 2023, the UAE has emerged as the fastest-growing 5G market globally, according to data from Ookla Speedtest Intelligence. Meanwhile, Qatar has also achieved the highest average 5G download speeds within the GCC region, reaching an impressive 312 Mbps.[23] Bahrain set itself apart by ranking among the top 20 countries globally in terms of fibre penetration, offering the most cost-effective fibre broadband services within the GCC.

[18] US$320 billion by 2030? The potential impact of ai in the middle east. PwC. 2018.
[19] Strategy& (a global consulting firm)
[20] Reshaping The Middle East: A CEO's playbook to win the $23.5 billion generative AI opportunity. Strategy&. 2023
[21] UAE's technology innovation institute launches open-source "falcon 40B" large language model for research & commercial Utilization. Technology innovation institute. 2023
[22] Lessons from the ascent of the United Arab Emirates. Economist. 2023.
[23] GCC markets rank among the best in EMEA for mobile network experience. OpenSignal. 2023

Sustainability Champions: The GCC's Moment on the Global Stage

The region has also made great strides in sustainability and renewable energy, especially with solar power, considering the abundance of sunlight this region receives. With the UAE hosting COP28, 2023 was a pivotal moment for GCC to make a global statement.

According to the recent Middle East and Africa Environmental Sustainability scorecard, [24] the UAE had a leading position in sectors such as sustainable infrastructure and transport, and environmental ecosystems. Qatar, one of the world's largest natural gas exporters, took the top position for green investment, innovation and technology. Saudi Arabia, the largest economy in the Arab world, secured a top-five position in five out of six crucial sectors outlined in the index.

Moreover, GCC countries have been investing heavily in renewable energy and sustainable development in a bid to diversify away from hydrocarbon exports.

The UAE, the first country in the MENA region to announce a target of net zero by 2050, has been funding clean energy projects, including solar, wind and nuclear, as it cuts down on the use of natural gas for electricity production.[25] Meanwhile, Saudi Arabia has committed USD 266 billion to clean energy, including transport and distribution networks and hydrogen production. [26]

The country has also set ambitious targets to tackle climate change and cut carbon emissions to overhaul its economy and reduce its reliance on oil. The kingdom, which plans to achieve net-zero carbon emissions by 2060, is focusing heavily on building its domestic electric vehicle market to support the transition and develop its local manufacturing sector as part of its Vision 2030 strategy.

The World Bank expects combined GCC economic output to be $6 trillion by 2050, but suggests that embracing a strategic "green growth approach" to economic diversification could potentially elevate that figure to more than $13 trillion.[27]

[24] Middle East and Africa Environmental Sustainability Scorecard 2023 REPORT. Agility. 2023.
[25] The UAE's response to climate change. UAE Official Portal. 2023.
[26] Saudi Arabia to invest about $266 bln for clean energy – minister. Reuters. 2023
[27] GCC Economies Expected to Expand by 6.9% in 2022. World Bank. 2022.

2024 GCC 'Wild Cards': Your Business Needs a Foreign Policy

Business leaders are increasingly finding that they cannot sidestep the complexities of geopolitics. World events are far from random; they are intricately interconnected and complex, often rendering the future increasingly vulnerable, uncertain, and ambiguous – a true terra incognita.

Governments, firms, and investors should prepare for the unexpected in the year ahead. Predictions are challenging at the best of times, and these are not the best of times. So, our 2024 outlook concludes with some 'wildcards'. These wildcards are not predictions, but (in our view) plausible events that are worth considering. We also identify several risks that we don't think merit too much concern but worth keeping on the radar screen.

Geopolitical upheavals disrupting business and trade

Given geopolitical events in the region, Q4' 23 has seen commercial cargo ships in the Red Sea targeted, severely disrupting maritime trade. This forced major ocean carriers to cancel and detour routes originally meant to pass through the Red Sea. This longer journey increases insurance premiums, fuel costs, reduces shipping efficiencies, and will raise the prices of imported goods, which includes critical shipments of grain from Asia and oil from the Middle East.[28]

These disruptions are likely to increase as we head further into 2024, as the overarching conflicts in the region persist, and spread. We believe that businesses will increasingly need to diversify their supply chains to reduce dependency on a single route or source. This includes exploring alternative suppliers, transport routes and by extension where feasible, consider alternative transportation modes like air or land.

Inventory management strategies will also need to be enhanced to accommodate longer shipping times. This might involve increasing buffer stock to avoid shortages, however alternative strategies will have to be devised for perishable items and time-sensitive or high-value cargo.

[28] Red Sea crisis explained: what is happening and what does it mean for global trade? The Guardian. 2023.

Rise of AI Regulation

The conversations around development of regulation in the AI landscape existed before 2023 but it can be safely assumed that 2023 marked the breakthrough year for the rapid transformation and implementation of AI applications. Generative AI is expected to have the same transformational impact on the world as happened with the advent of the internet. Market revenue for generative AI is expected to grow to $38.6 billion by 2028 from $3.88 billion in 2023. With this oncoming boom, there will be an imperative for businesses to leverage AI capabilities and by extension, adhere to the regulatory frameworks that are sure to arise.

The development of AI governance is evident in various global initiatives, including the EU's AI Act, the establishment of the US AI Safety Institute, and efforts by international bodies like the UN, OECD, and G20. These entities are forming working groups, advisory panels, and setting principles, standards, and policies related to AI. 2024 is likely to see the first comprehensive AI laws enter into force, with global efforts to hold tech companies accountable.[29]

UAE and Saudi:

The Economic Powerhouses of the Gulf in 2024

While the GCC as a whole will present an ideal hub for businesses in the years to come, we can be sure that in 2024, the two gulf giants will be the major forces competing to offer the best incentives for businesses looking to establish themselves or expand their horizons in key growth sectors.

At the heart of Saudi's Vision 2030 is the National Investment Strategy, which seeks to propel economic growth and diversification through attracting foreign direct investment. Under this strategy, the kingdom aspires to position Saudi Arabia among the top 10 economies in the Global Competitiveness Index by 2030.

However, while Saudi Arabia is rapidly gaining momentum, UAE remains the current flagbearer of the gulf renaissance. The UAE's strategic positioning as a hub connecting Africa, Asia, and Europe has been further its focus on attracting global talent. The UAE already leads the Arab world in terms of attracting and retaining talent. As Saudi Arabia begins to diversify its oil-dependent economy, it may evolve into a formidable competitor over time.

But the more interesting part of the story, that many refuse to see, is how a powerhouse like Saudi, and a global hub like the UAE become 'one' regional engine. While there will be more operational competition, we see the years ahead forging a more integrated economic 'block' than many envisage, at least from a business point of view.

A start-up can be conceived in the region like Jordan, Pakistan, Egypt, incubated and domiciled in UAE, and scale and have major joint ventures in Saudi. Visitors from abroad will book regional tours, investors will have offices and branches in Riyadh, Dubai, Abu Dhabi and Jeddah serving different regional and local markets. The year to come will shape a new global 'economic block', at the doorstep of one of the largest and most exciting growth stories of the coming decade, India.

[29] What's next for AI regulation in 2024? MIT Tech Review. 2024.

The India Factor

India was one of the fastest-growing major economies in FY22/23 at 7.2% with a growth rate that was the second highest among G20 countries and almost twice the average for emerging market economies. This resilience was underpinned by robust domestic demand, strong public infrastructure investment and a strengthening financial sector. [30]

In the GCC, India has been actively engaged in building strategic relations with the UAE and the two nations share a long history of economic cooperation. The Comprehensive Economic Partnership Agreement (CEPA) between India and the UAE, has opened up significant opportunities, marked by a 16% increase in bilateral trade to $85 billion in the April 2022-March 2023 period. In December 2023, India made its first-ever payment in rupees for crude oil purchased from the United Arab Emirates (UAE), signaling what could be a strategic push to promote the local currency globally. India is now also discussing a CEPA with Oman.

Infrastructure and development collaborations, particularly in Africa, are redefining the bilateral economic relationship between India and UAE. One major example is the multibillion-dollar development initiatives in Tanzania by AD Ports Group and Adani Ports and Special Economic Zone Ltd.

Given its expected growth for FY 23/24 to be about 6.3%, leaders should keep the India Factor into consideration moving into 2024, especially in the context of GCC as leveraging the critical synergies can result in big wins for business leaders.

China's economic boom greatly benefited ASEAN by opening up vast trade opportunities, stimulating investment and infrastructure development, boosting tourism, and integrating regional supply chains.

Similarly, India's economic growth has the potential to have a positive impact on the GCC countries. As India's economy expands, it could become a significant market for Gulf exports, attracting investments from the GCC in various sectors, and witness an increase energy demand, given India's growing population and energy consumption. This could further diversify the GCC economies, strengthen trade ties, and foster collaboration in areas such as tourism and services, contributing to economic prosperity in the Gulf region and enhancing its economic relationship with India. However, achieving these benefits would require strategic planning, infrastructure development, and policy initiatives to facilitate closer economic integration between India and the GCC.

30 India's Growth to Remain Resilient Despite Global Challenges. World Bank. 2023.

In addition to the challenges, opportunities, and risks outlined above, there are also some potential contingencies and unforeseen events that countries and companies should be prepared to address. These could cause disruptions, open up opportunities, or - in some cases - be game changers.

Geopolitical Conflicts

Ongoing tensions in the Middle East, especially in the context of Iran, can escalate and disrupt regional stability. Unforeseen geopolitical conflicts could impact energy markets, trade, and investments, necessitating contingency plans

Pandemic Resurgences

While COVID-19 vaccines have been rolled out, the potential for new variants or other pandemics could disrupt economic activities and global supply chains.

Technological Disruptions

Rapid technological advancements, such as automation and artificial intelligence, can alter labor markets and necessitate workforce reskilling and economic adaptation. There is also the continuous and rising risk of major cyber attacks. As economies become increasingly digitized, cybersecurity threats pose risks to critical infrastructure and economic activities.

Water Scarcity and Food Security

GCC countries face challenges related to water scarcity and food security. Unanticipated events affecting water supplies or food production could impact these critical sectors.

Stepping into 2024: Thinking Five Moves Ahead

The simple questions in business are binary. Their answer is either yes or no. The trap is believing that all answers are binary.

The answer to any question is actually a series of moves deployed in the proper sequence. "Experts" often make things worse by giving yes or no answers as if everyone fits into the same box.

As we conclude the discussion of our 'wildcards', firms, investors, and governments need to be able to adapt and respond quickly to these changes - by thinking five moves ahead. Five moves is the sweet spot of thoughtful strategy and swift action.

Organizations can think beyond five moves at an annual off-site meeting or when analyzing a possible acquisition, but thinking too many moves ahead can lead to the classic paralysis by analysis. Five moves is enough to make sure you are anticipating future outcomes and seeing moves and countermoves.[31]

With these moves in place, resilience and agility will be the key sources of competitive advantage in our region's turbulent environment.

Although organizations cannot live in a permanent crouch, there is a need to deliberately manage exposures: 'Only the paranoid survive' as Andy Grove famously said.

Organizations should invest in building resilience to shocks (e.g. managing leverage) and diversifying risk exposures (markets, supply chains).

And scenario planning will become a more important input into capital allocation and strategy development, so that institutions can better understand and position for potential exposures.

Brace for another turbulent year.

[31] Your Next Five Moves: Mastering the Art of Business Strategy, Partick Bet-David

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