

GIB

بنك الخليج الدولي

GIB Executive Survey 2018





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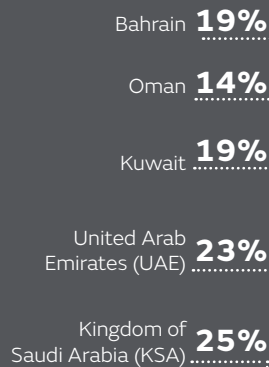
About the Survey

The third annual survey by Gulf International Bank B.S.C. (GIB) records the economic sentiments and strategic business choices of chief financial officers (CFO) and other C-Suite executives across various industries and service sectors. Participating executives were asked about business conditions in their sector with respect to economic and financial market concerns, and overall financing conditions. They were also asked to provide insights on the business outlook directly for the GCC in terms of overall prospects, investment appetite and hiring policies; as well as sentiment regarding the oil market in the context of future oil price expectations. In addition, executives were asked to identify business strategies based on a selection of choices.

Methodology

An anonymous online survey was conducted from February to March 2018, with the participating executives selected from a pool of the bank's corporate clients in the GCC. Executives are from Oil & Gas, Manufacturing, Food consolidation & production, Pharmaceuticals, Financial services, Marketing & branding agencies, PR agencies, Medical, Shipping/cargo companies and Other industry sectors.

Business Location: **Total 554 Executives**







Foreword

I am pleased to present to you our third annual GIB Executive Survey. A concern for business leaders this year is a possible US economic downturn that would affect the global business environment. Worldwide oil market developments and US shale production cause some apprehensions. Echoing the trends of the past two years, the continuing volatility in geopolitical, economic and financial market conditions and increased austerity measures by the regional governments make it difficult to predict the short-term economic future with any level of certainty or accuracy.

The results of our third survey make extremely interesting reading, not just in confirming the key concerns of executives in the region, but also in measuring their degree of confidence going forward.

Most of the executives surveyed in 2018 maintain a similar level of confidence in business prospects as the year before, although some presented slightly less optimistic views than earlier. A consistent trend occurring is the investment in innovation that continues to be a key business priority. And unsurprisingly, cost reduction is a significant business imperative across the region.

Our third survey provides an interesting comparative study in trends and a useful guide for tracking changes in thoughts and perspectives.

I would like to thank all professionals across the industry who took time out of their busy schedules to participate in this survey, and hope that readers will find the results both informative and thought-provoking.

Abdulaziz A. Al-Helaissi
Chief Executive Officer



Executive Summary



The GIB Executive Survey is designed to understand the economic and business views of the Gulf region's CFOs and other C-suite executives selected from a pool of GIB's corporate clients in various industries including Oil & Gas, Banking & Financial services, Service sectors etc. The executives were surveyed on their views concerning economic and financial market conditions, financing conditions, oil market prospects, business outlook, and business strategies. This third annual survey was conducted during February and March 2018, amid continuing economic uncertainty and financial volatility. The relatively low oil price environment and regional issues continue to impact the GCC's economic outlook.

GCC executives provided their views and concerns about economic conditions, with the majority expecting oil prices to average between US\$60 – US\$80 per barrel in 2018. The top three external aspects that have the potential to impact their businesses are US economic slowdown; oil market developments and US shale production trends; and regional geo-political aspects. Similarly, the major regional factors that could potentially have a serious impact on their businesses include the reduction in government subsidies and impact on domestic demand; volatility in financial markets (banking); and reduction in government expenditures/investment and the resultant impact on economic growth.

With regard to international financial market developments, interest rate volatility and commodity price volatility contribute more towards concerns for businesses. The executives also pointed out that the overall cost of financing and business financing conditions are also at a moderate level.

Confidence in business prospects remains unchanged for most of executives, although some cited decreased confidence in the overall business outlook. Meanwhile, new business investment in 2018 was rated at a moderate level by most executives.

The major business strategies for 2018 include: Cost reduction; Investments in new innovative ideas; and more of capital expenditure. Hiring is expected to be at moderate level in 2018 by over half of the executives although a sizeable percentage cited expectations of weak hiring policies.

The survey reveals that executives are expecting regional governments to support non-oil sector growth and reduce overall dependence on oil revenues. The governments are also expected to spend more on diversified industries, support smaller projects and factories to improve production; and also encourage private investments.



Key Findings

Economic Conditions



Top three concerns - External

- > US economic slow down
- > Oil market developments and US shale production trends
- > Regional geo-political aspects

Top three concerns - Regional

- > Reduction in government subsidies and impact on domestic demand
- > Volatility in financial markets, notably the banking sector
- > Reduction in government expenditures / investment and impact on economic growth

Financial Market Conditions



Top two concerns

- > 1. Interest rate volatility
- > 2. Commodity price volatility

Business Strategy



Top two strategies

- > Cost reduction
- > Investing in innovation

Financing Conditions



Business financing conditions

executives are anticipating that business financing conditions will be at a moderate level.

Overall cost of financing

executives are anticipating that the overall cost of financing will be at moderate level.

Business Outlook



Business Prospects

56%

About 56% of the executives have unchanged business prospects in 2018, as compared to previous quarter

Business Investments

61%

More than 60% of the executives have a plan of moderate level investment in 2018

Hiring Policies

57%

More than 50% of the executives indicate that hiring will be at moderate level in 2018

Oil Market Prospects

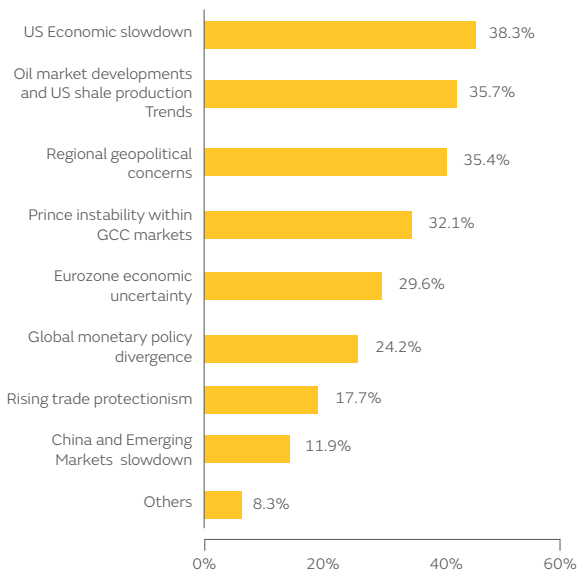
\$60-\$80/Barrel: 46%

About 46% of executives foresee the the oil prices to average between US\$60 and US\$80 per barrel in 2018



Economic Conditions

External Factors



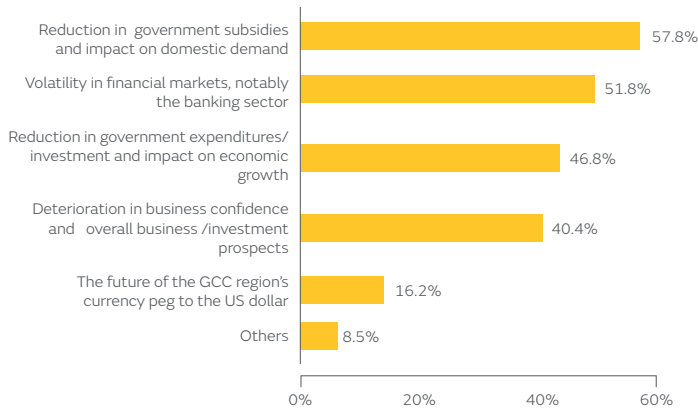
	Bahrain (104)	Kuwait (107)	Oman (80)	Saudi Arabia (136)	UAE (127)
	31.7%	37.4%	37.5%	41.2%	41.7%
	51.9%	28.0%	35.0%	31.6%	33.9%
	30.8%	37.4%	42.5%	38.2%	29.9%
	51.9%	29.9%	20.0%	31.6%	26.0%
	36.5%	23.4%	31.3%	22.1%	36.2%
	15.4%	26.2%	28.8%	29.4%	21.3%
	22.1%	15.9%	28.8%	13.2%	13.4%
	5.8%	11.2%	8.8%	20.6%	10.2%
	8.7%	9.3%	3.8%	10.3%	7.9%

External Factors - By Country

External factors causing the most concern to GCC executives are US economic slowdown (38.3% of executives), Oil market developments and US shale production trends (35.7% of executives) and Regional geo-political aspects (35.4%). About 30% have reported about Price instability within GCC markets and Eurozone economic uncertainty.

In comparison, the less concerning aspects are China and Emerging markets slowdown (11.9%), Rising trade protectionism (17.7%) and Global monetary policy divergence (24.2%).

Regional Factors



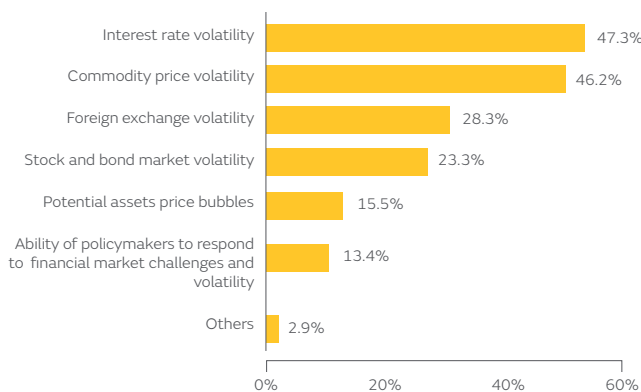
	Bahrain (104)	Kuwait (107)	Oman (80)	Saudi Arabia (136)	UAE (127)
	76.0%	56.1%	57.5%	64.7%	37.0%
	55.8%	43.9%	47.5%	52.9%	56.7%
	70.2%	39.3%	42.5%	36.0%	48.0%
	29.8%	42.1%	43.8%	48.5%	37.0%
	8.7%	25.2%	23.8%	14.7%	11.8%
	8.7%	10.3%	7.5%	5.9%	10.2%

Regional Factors - By Country

Within the regional business economic environment, ‘The reduction in government subsidies and impact on domestic demand’ is stated as a key concern by 57.8% of executives, followed by ‘Volatility in financial markets, notably the banking sector’ as stated by 51.8%. Also, the ‘Reduction in government expenditures /investment and impact on economic growth’ contributes to the concerns for regional business (46.8%).

‘The future of the GCC region’s currency peg to the US dollar is of lesser concern with only 16.2% of executives citing is as a worry

Financial Markets



	Bahrain (104)	Kuwait (107)	Oman (80)	Saudi Arabia (136)	UAE (127)
	60.6%	51.4%	33.8%	41.2%	48.0%
	65.4%	46.7%	23.8%	47.1%	43.3%
	27.9%	33.6%	32.5%	19.1%	31.5%
	21.2%	29.9%	33.8%	14.0%	22.8%
	1.9%	12.1%	33.8%	23.5%	9.4%
	2.9%	5.6%	15.0%	27.2%	12.6%
	5.8%	2.8%	2.5%	2.9%	0.8%

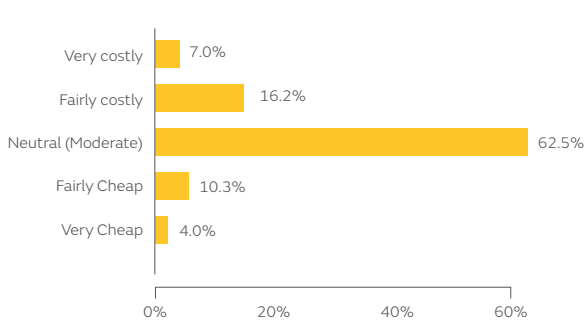
Financial Markets - By Country

Interest rate volatility (47.3%) and Commodity price volatility (46.2%) were stated as the top two concerns for their business with regard to international financial market developments. The other concerns related to international financial market development include ‘Foreign exchange volatility’ as mentioned by 28.3% of executives followed by ‘Stock and bond market volatility’ as mentioned by 23.3% of executives.

‘Potential asset price bubbles (15.5%) and ‘Ability of policy makers to respond to financial market challenges and volatility’ (13.4%) are of lesser concern.

Financing Conditions

Overall Cost of Financing

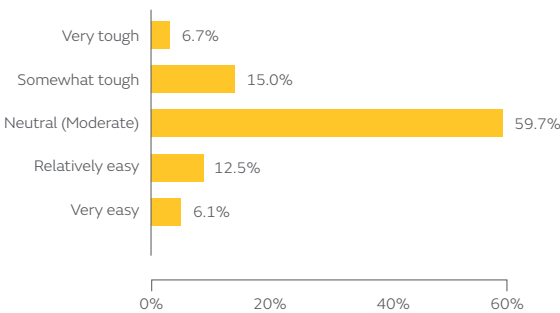


Rating	Bahrain (104)	Kuwait (107)	Oman (80)	Saudi Arabia (136)	UAE (127)
Very costly	4.8%	8.4%	6.3%	8.1%	7.1%
Fairly costly	26.9%	12.1%	11.3%	18.4%	11.8%
Neutral (Moderate)	61.5%	71.0%	52.5%	56.6%	68.5%
Fairly Cheap	5.8%	2.8%	20.0%	14.0%	10.2%
Very cheap	1.0%	5.6%	10.0%	2.9%	2.4%

Overall Cost of financing - By Country

As commented by majority of executives (62.5%), the overall cost of financing is at moderate level. About 23% of executives consider it to be costly, while only 14% have indicated that financing conditions are cheap.

Overall Business Financing Conditions

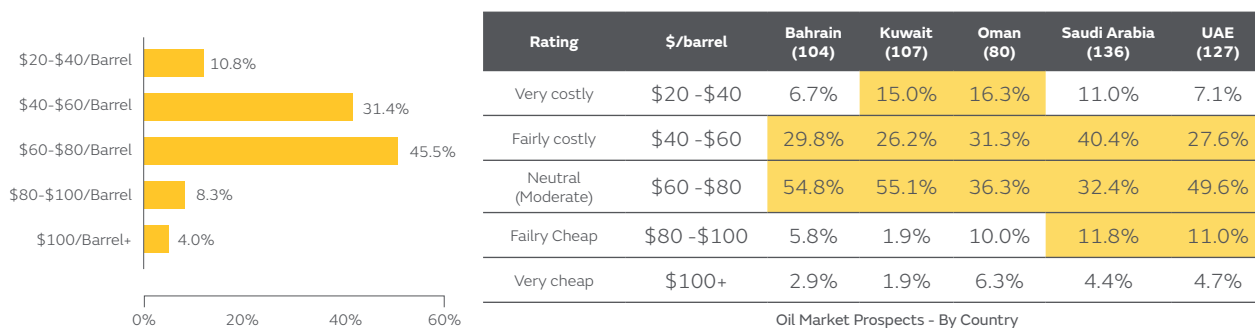


Rating	Bahrain (104)	Kuwait (107)	Oman (80)	Saudi Arabia (136)	UAE (127)
Very tough	3.8%	9.3%	7.5%	6.6%	6.3%
Somewhat tough	25.0%	17.8%	11.3%	13.2%	8.7%
Neutral (Moderate)	64.4%	58.9%	53.8%	53.7%	66.9%
Relatively easy	3.8%	7.5%	20.0%	19.1%	11.8%
Very easy	2.9%	6.5%	7.5%	7.4%	6.3%

Business Financing Conditions - By Country

The feedback on the overall business financing conditions highly correlates with the feedback on responses for overall cost of financing. Nearly 60% of executives have reported that the overall business financing conditions are moderate, while 22% of executives still feel that conditions are tough and another 19% have stated them to be easy.

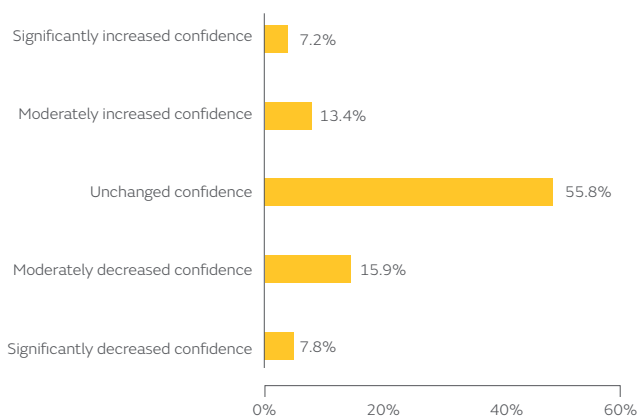
Oil Market Prospects



About 46% of executives are expecting oil prices in 2018 to average between \$60 - \$80 per barrel, while another 31.4% foresee a price of \$40 - \$60 per barrel. It is interesting to note that 11% of executives do expect oil prices to fall to a range between \$20 - \$40 a barrel; and another 12% of executives expect oil prices to increase at or above \$80/barrel mark.

Business Outlook

Business Prospects

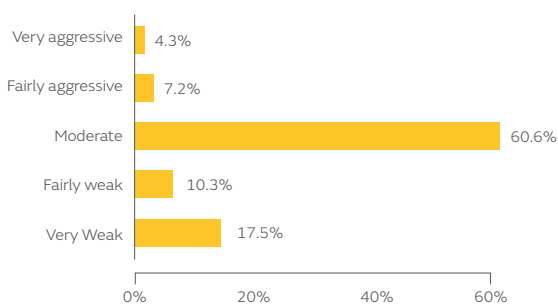


Rating	Bahrain (104)	Kuwait (107)	Oman (80)	Saudi Arabia (136)	UAE (127)
Significantly increased confidence	3.8%	4.7%	16.3%	5.9%	7.9%
Moderately increased confidence	4.8%	8.4%	17.5%	18.4%	16.5%
Unchanged confidence	67.3%	61.7%	51.3%	48.5%	52.0%
Moderately decreased confidence	16.3%	18.7%	13.8%	19.1%	11.0%
Significantly decreased confidence	7.7%	6.5%	1.3%	8.1%	12.6%

Business Prospects - By Country

The majority of executives (55.8%) cited unchanged confidence on business prospects, while closer to 16% have indicated a moderate decrease in confidence and about 8% have indicated a significant decrease. However, over 20% of executives anticipate increased confidence.

New Business Investment in 2018

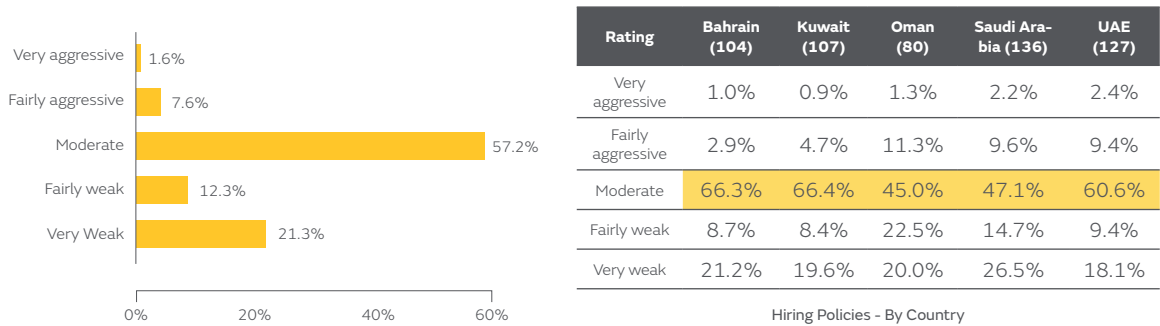


Rating	Bahrain (104)	Kuwait (107)	Oman (80)	Saudi Arabia (136)	UAE (127)
Very aggressive	1.9%	5.6%	3.8%	3.7%	6.3%
Fairly aggressive	2.9%	4.7%	12.5%	6.6%	10.2%
Moderate	74.0%	63.6%	51.3%	53.7%	60.6%
Fairly weak	5.8%	4.7%	18.8%	13.2%	10.2%
Very weak	15.4%	21.5%	13.8%	22.8%	12.6%

Business Investment - By Country

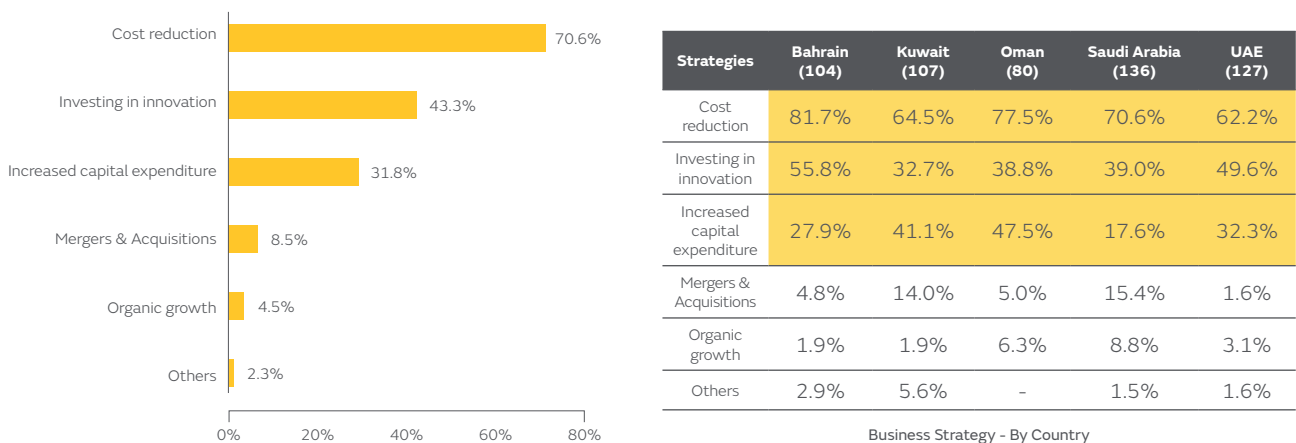
Executives' views on new investment in 2018 were similar to the stance on business prospects. A moderate level of investments are expected by 60.6% of executives while over 27% have cited a weakened appetite for new investment. Around 11% of executives are positive towards new investments in 2018.

Hiring Policies



New hiring would be at a moderate level according to 57.2% of executives, while about 9% anticipate new hiring to be aggressive. However, 12.3% of executives expect the trend to be fairly weak and over one-fifth anticipate new hiring to be very weak.

Business Strategy



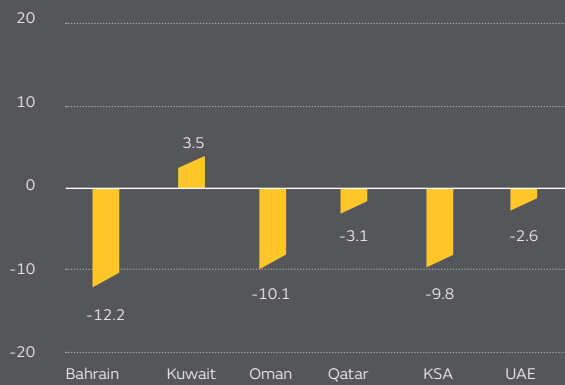
The executives surveyed have stated cost reduction (70.6%) and investing in innovation (43.3%) as the top two business strategies planned for entire 2018. About 32% have also indicated about increased capital expenditure. Some of the executives (8.5%) plan for M & A, while few others aim for organic growth in their business.

Key economic indicators: GCC Countries

2017 & 2018 Forecasts

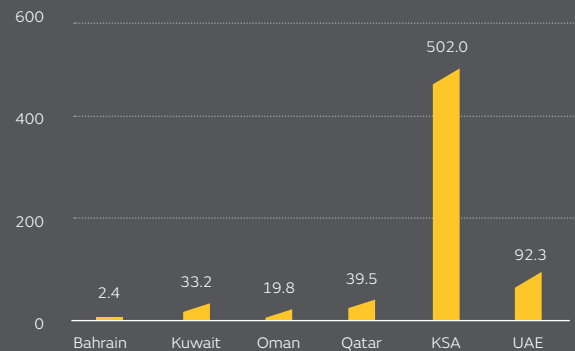
2017

General Government Fiscal Balance
(including grants) (percent of GDP)



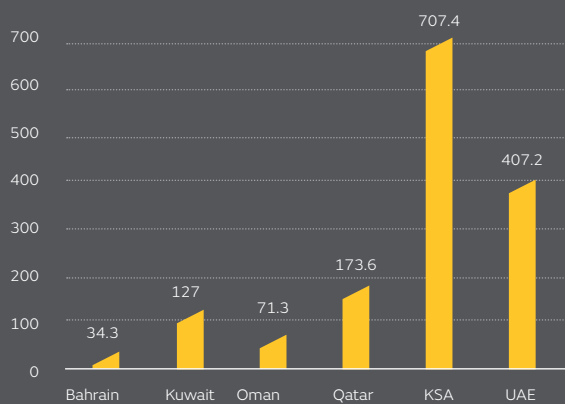
2017

Foreign Exchange Reserves
(excluding gold) (US\$ billions)



2017

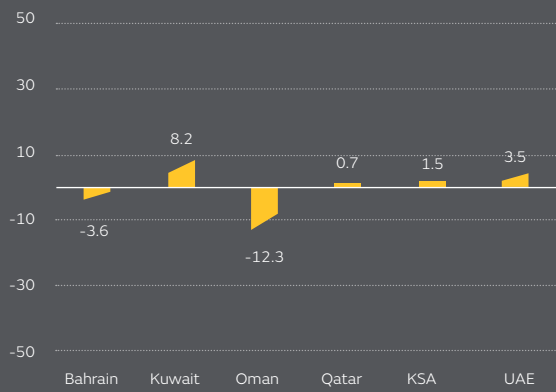
Nominal GDP
(US\$ billions)



Data Source: IMF Middle East and Central Asia Regional Report, October 2017

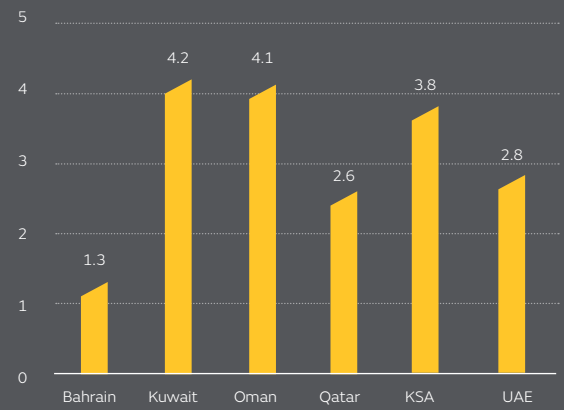
2017

Current Account Balance
(US\$ billions)



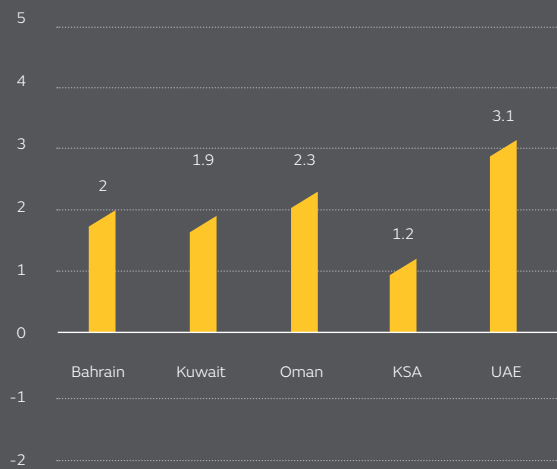
2017

Consumer Price Inflation
(percent change)



2018

Real GDP
(percent change)





About GIB

Gulf International Bank B.S.C. (GIB) was established in the Kingdom of Bahrain in 1975, and commenced operations in 1976. In 2017, GIB became the first foreign domiciled bank to be granted approval from the Saudi Arabia Council of Ministers to establish a local commercial bank in the Kingdom of Saudi Arabia. Consequently, GIB's branch offices in the Kingdom will become part of the Saudi Arabian subsidiary, with the country headquarters located in Al Dhahran. GIB is owned by the governments of Gulf Cooperation Council countries, with Saudi Arabia's Public Investment Fund being the primary shareholder. GIB aims to be the preferred financial services partner, delivering bespoke banking solutions to a wide customer base in the region and beyond.

This includes corporate banking, the world's first Shariah compliant digital retail banking service, 'meem' by GIB and investment banking through its fully owned subsidiary GIB Capital. GIB Capital is the investment banking arm of GIB, offering innovative solutions in the fields of asset management, bond and Sukuk issuance, financial restructuring, private placements, private sale, IPOs, underwriting equity and debt, as well as mergers and acquisitions. In addition to its main subsidiaries, London-based GIB (UK) Ltd., and Riyadh-based GIB Capital, GIB has branches in London, New York, Abu Dhabi, Dhahran, Riyadh and Jeddah with a representative office in Dubai.

[gib.com](http://www.gib.com)

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