

GIB

بنك الخليج الدولي

# GIB Executive Survey 2017





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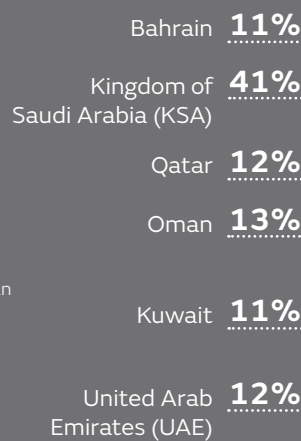
## About the Survey

The second annual survey by Gulf International Bank B.S.C. (GIB) records the economic sentiments and strategic business choices of Chief Financial Officers (CFOs) and other C-suite executives across various industries, including banking, telecommunications and construction. 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 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 March-April 2017, with the participating executives being selected from a pool of the bank's corporate clients in the GCC.

### Business location









# Foreword

It gives me great pleasure to present you our second annual GIB Executive Survey.

Given the increasingly unpredictable geopolitical, economic and market conditions, and several new challenges facing the GCC region, it becomes exceedingly difficult to forecast the near-term future with any degree of certainty or accuracy.

Hence, we considered it would be helpful to discover the current views and opinions of executives actually engaged in running businesses, in contrast to the more academic or theoretical viewpoints of economists and market analysts.

The results of our second 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.

Comparing to last year's survey a large proportion of executives surveyed have slightly less optimistic views than the year before. It is worth noting that they increasingly consider investment in innovation to be a key business priority and competitive differentiator, more so than last year. Such an outlook is a positive indicator for the future of the GCC, as the economic example in an era of continued low oil prices and government austerity measures across the region.

Looking back to our inaugural annual survey last year, our second survey provides an interesting comparative study in trends and a useful guide for tracking changes in sentiment and outlook.

I would like thank all those executives 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 gauge the economic and business views of the Gulf region's CFOs and other C-suite executives, who were selected from a pool of GIB's corporate clients in various industries including banking, telecommunications, and construction. The executives were surveyed on their views concerning economic and financial market conditions, financing conditions, oil market prospects, business outlook, and business strategies. This second annual survey was conducted during March and April 2017 amid continuing economic uncertainty and financial volatility. The relatively low oil price and regional issues continue to impact the GCC's economic outlook.

GCC executives provided their views on concerns about economic conditions, with oil market and US shale production, inflation challenges, and market instability in the emerging markets identified as the three external factors pertaining most to their businesses. Key regional concerns included the reduction in government expenditures and investments, rising inflation, and reduced business confidence.

There have been rising concerns expressed about business financing conditions and the overall cost of financing. Executives also remain wary of developments in the financial markets, particularly interest rate and foreign exchange volatility. Executives point out that business financing conditions have become even tougher compared to the previous year.

From a business perspective, the balance sheet strategies of GCC executives continues to be very defensive, with a large proportion of respondents citing a sharper focus on cost control as topping their list of corporate priorities along with organic growth. Appetite towards new investment is moderate to weak and the trend is similar for the views on business confidence levels. Hiring is expected to slow down with more than two-thirds of the respondents mentioning that employment is very weak.

The survey reveals that executives are expecting the government to support non-oil sector growth and reduce overall dependence on oil revenues. The government is 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

1. Oil market developments and US shale production trends
2. The return of inflation
3. Economic uncertainty in emerging markets

### Top three concerns - Regional

1. Reduction in government expenditures / investment and impact on economic growth
2. Rising inflation
3. Deterioration in business confidence and overall business / investment prospects

## Financial Market Conditions



### Top two concerns

1. Interest rate volatility
2. Foreign exchange volatility

## Business Strategy



### Top two strategies

1. Cost reduction
2. Organic growth

## Financing Conditions



### Business Financing Conditions

Respondents are anticipating that business financing conditions will get tougher going forward

### Overall Cost of Financing

Respondents are very concerned that the overall cost of financing will increase



## Business Outlook



### Business Prospects

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# 43%

Almost 43% of the respondents have a lower business confidence level compared to January 2017

### Business Investments

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# 51%

More than half of the respondents have a negative view on business investments and indicate that it will be weak

### Hiring Policies

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# 71%

More than 70% of the executives indicate that hiring will be low in the coming months

### Oil Market Prospects

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# \$40-\$60 / Barrel

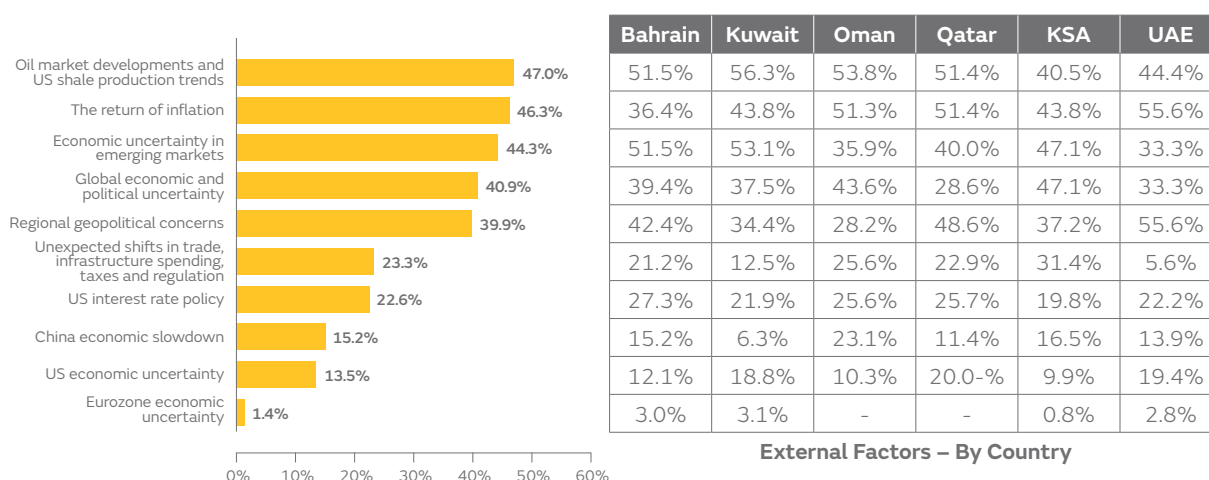
More than 65% of the respondents expect oil prices to average between US\$40 – US\$60 per barrel in 2017





# Economic Conditions

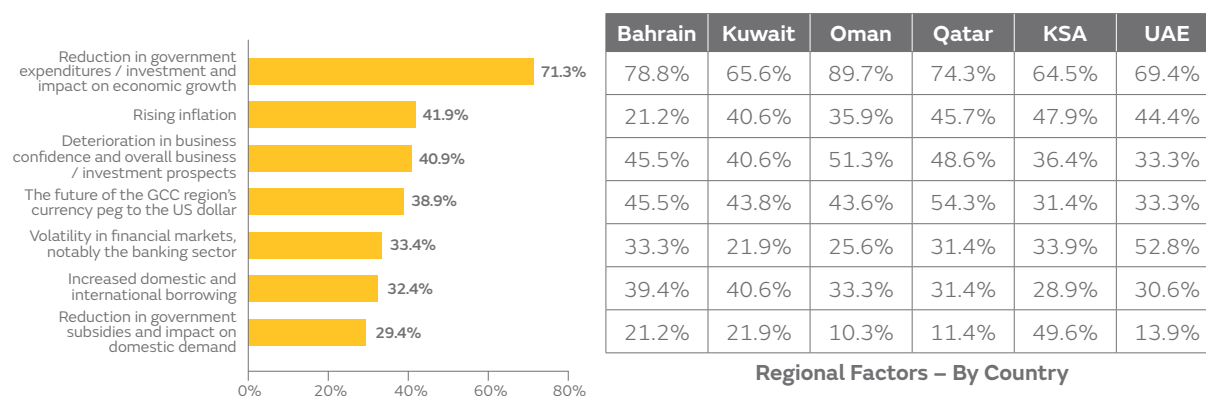
## External Factors



External factors causing the most anxiety to GCC executives are oil market developments and US shale production trends along with a return of inflation, with over 46% citing both of them as their top concerns. A close third concern is economic uncertainty in emerging markets cited by 44% of participants, followed by global economic and political uncertainty; while just under 40% consider the regional geopolitical issues, to be a concern for their businesses.

In comparison, the US and the Eurozone economic uncertainties were considered to be the least of their concerns, with less than 2% of participants citing Eurozone economic uncertainty as an issue.

## Regional Factors

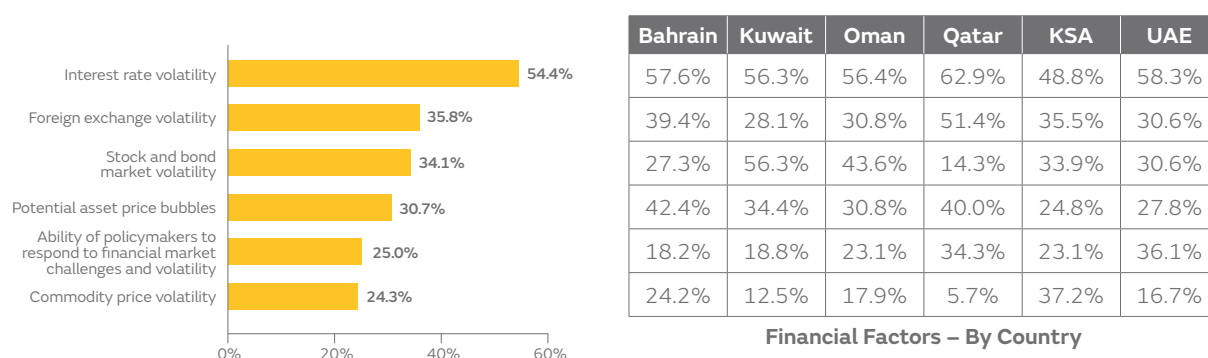


The reduction in government expenditures and investment, and the impact of this on economic growth, are major concerns for businesses within the region, with 71.3% of respondents placing them within their top three concerns. Additionally, 41.9% of respondents indicated that rising inflation is also an important issue within the region.

The deterioration in business confidence and overall business/investment prospects has been indicated as a concern by less than 41% of the surveyed respondents. Executives in Saudi Arabia are also worried about the reduction in government subsidies and its impact on domestic demand.

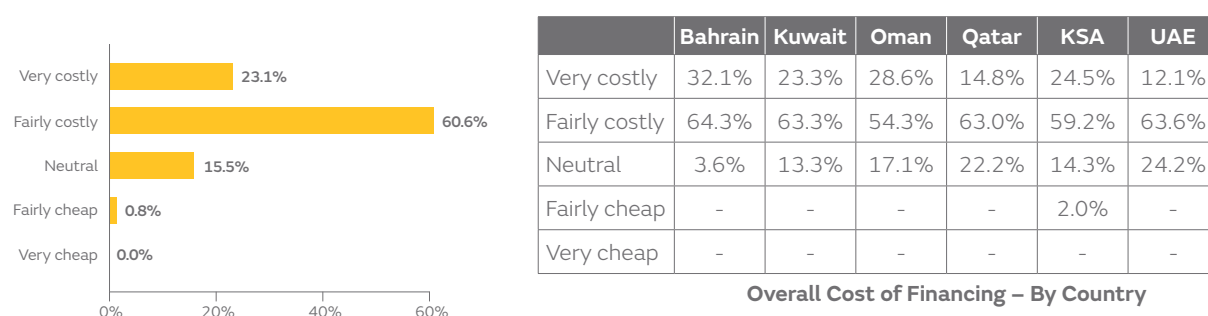


## Financial Markets



Interest rate volatility (54.4%) and foreign exchange volatility (35.8%) were rated as the top two concerns for their business by regional executives with regard to international financial market developments, followed by stock and bond market volatility (34.1%). Over 30% of the respondents also rated the potential of asset price bubbles as a concern, while a quarter rated the ability of policymakers to respond to financial market challenges and volatility as an issue.

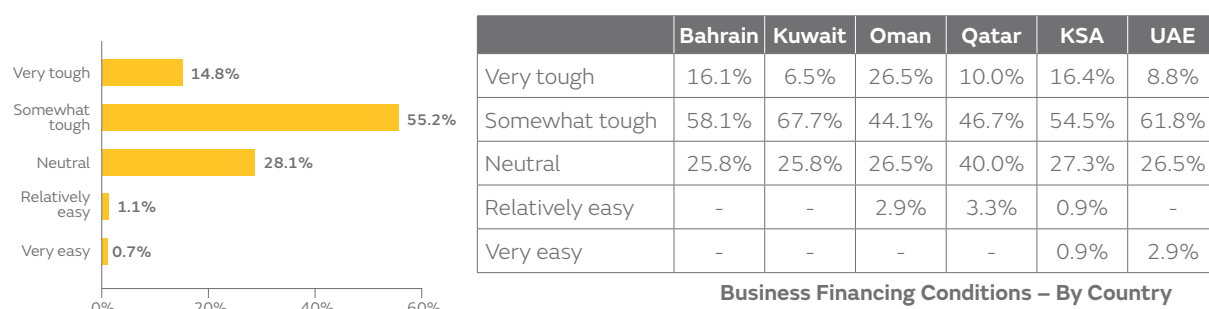
## Financing Conditions



### Overall Cost of Financing

Concerns towards the overall cost of financing have drastically increased as pointed out by a large majority of surveyed respondents (84%). Over 60% mention that financing has become “fairly costly” and 23.1% rate it as “very costly”. 15.5% of the executives have a neutral outlook on the changes in the cost of financing.

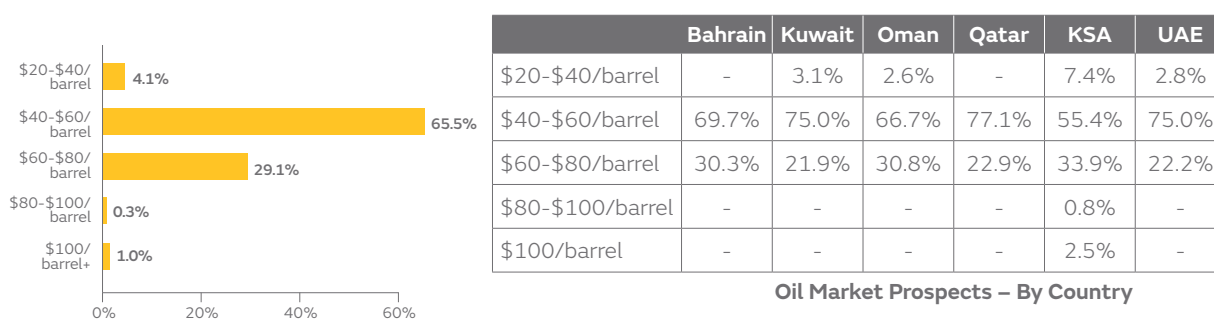
## Financing Conditions



### Business Financing Conditions

Respondents also rated the overall financing conditions for their businesses similarly, with almost 70% citing conditions are getting tougher. 55.2% of executives rated overall financing conditions as “somewhat tough”, while another 14.8% rated it as “very tough”. However, 28.1% indicate that they have a neutral outlook.

## Oil Market Prospects

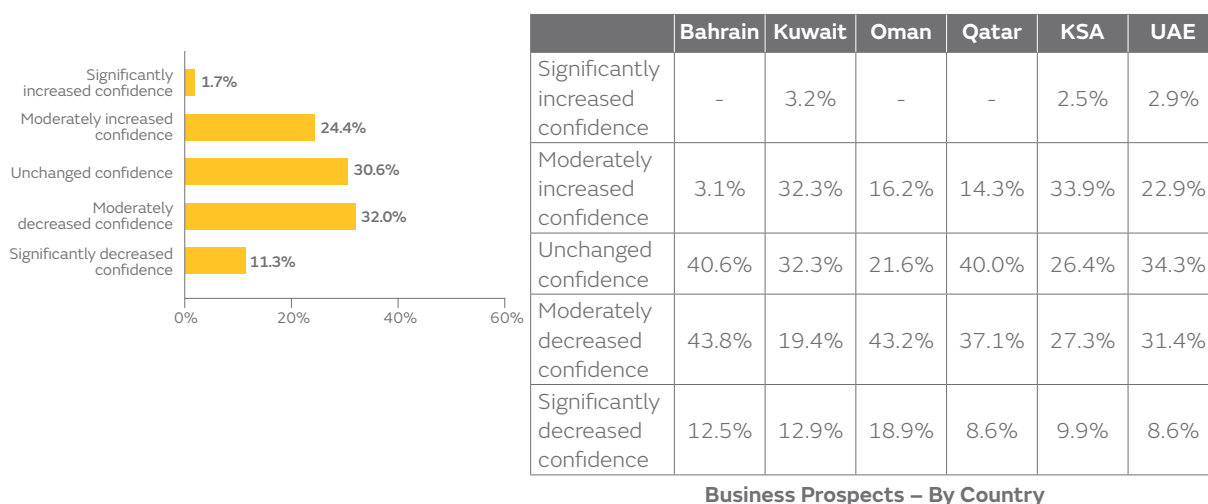


Around two-thirds of respondents from the GCC are expecting oil prices to be in the \$40 to \$60/barrel range; 29.1% expect the prices per barrel to be in the \$60 to \$80 range and 4.1% of the surveyed executives are expecting oil prices to dip to the \$20 to \$40 range.

It has to be noted that almost 95% of respondents expects oil prices to be at or above recent levels.

# Business Outlook

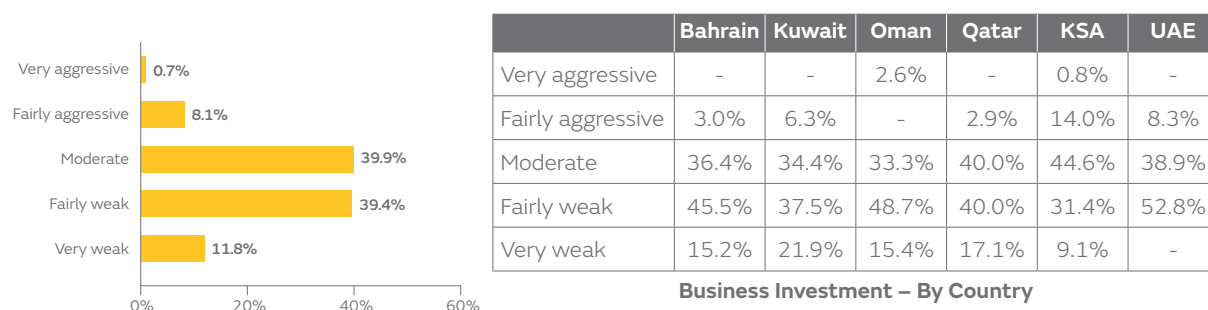
## Business Prospects



Business Prospects – By Country

When asked how confident they were about business prospects compared to January 2017, 32% of respondents expressed a moderate decrease in confidence levels. While, 30.6% of respondents stated that their confidence remained unchanged, 24.4% of executives expressed a moderate increase in confidence towards business prospects compared with the past quarter.

## Business Investment

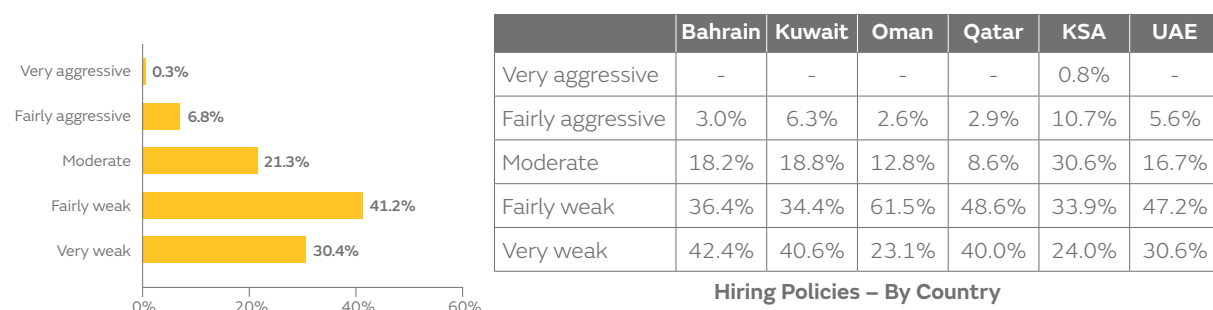


Business Investment – By Country

Executives' views on new investment were similar to the stance on business prospects, with 11.8% expressing a very weak appetite. 39.9% rated their appetite as "moderate", and 8.1% of the executives were somewhat optimistic in citing an aggressive appetite towards new investment.

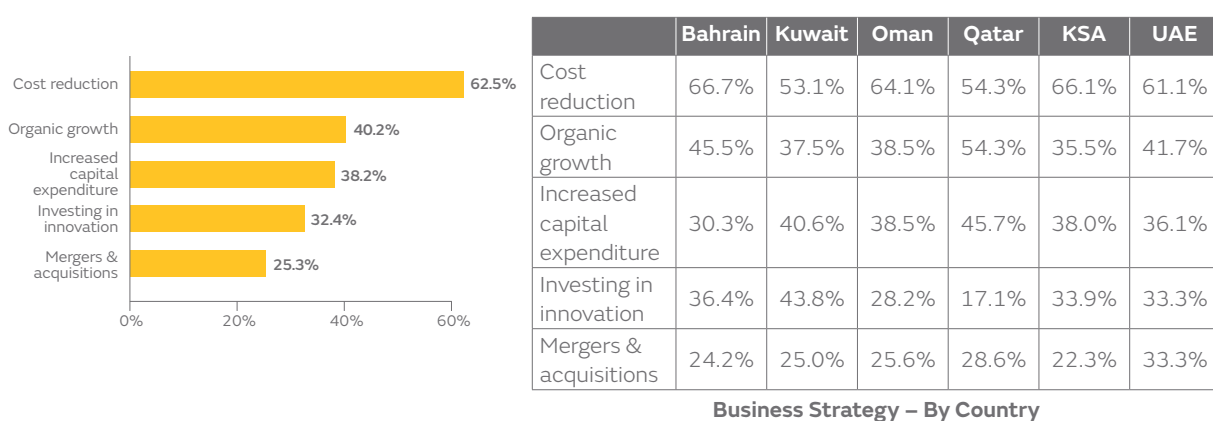


## Hiring Policies



The results indicated that sentiment towards hiring is expected to weaken over the next 12 months. About three-quarters of the surveyed respondents mention that hiring will be weak. Over 30% of executives had a negative stance towards hiring policies, rating it as “very weak”; while another 41.2% expected it to be “fairly weak”. Only 7.1% had a positive hiring outlook mentioning it as “fairly aggressive” or “very aggressive”.

## Business Strategy



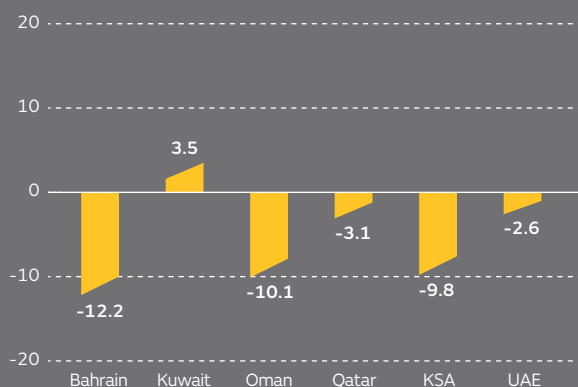
The executives surveyed selected cost reduction and organic growth as the top two business strategies for the coming twelve months, with 62.5% rating the former and 40.2% the latter. Increased capital expenditure and investing in innovation were also viewed as important business strategies, with both being rated at over 30%. In comparison, the least-favored strategy was mergers and acquisitions, which was rated by only 25.3% of respondents.

# Key Economic Indicators: GCC Countries

## 2017 Forecasts

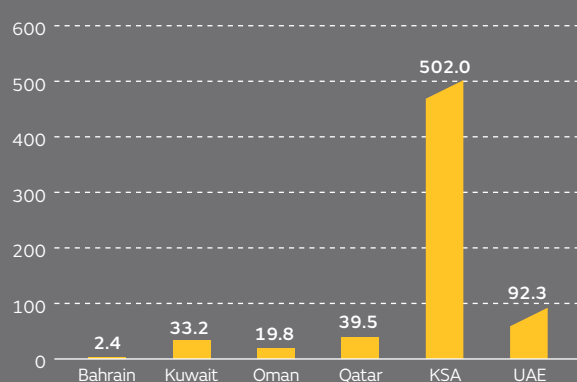
### General Government Fiscal Balance

(Including grants) (percent of GDP)



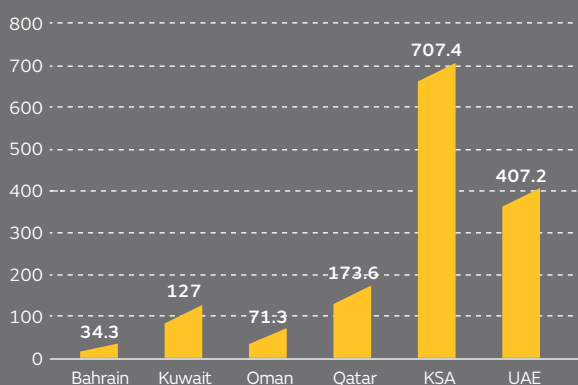
### Foreign Exchange Reserves

(excluding gold) (US\$ billion)



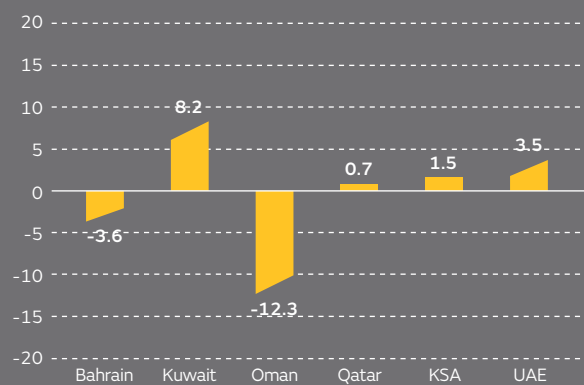
### Nominal GDP

(US\$ billion)

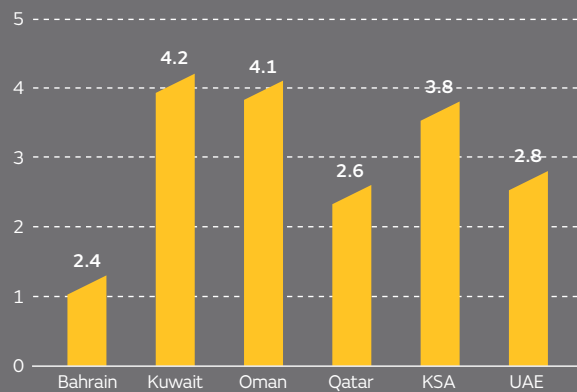


**Current Account Balance**

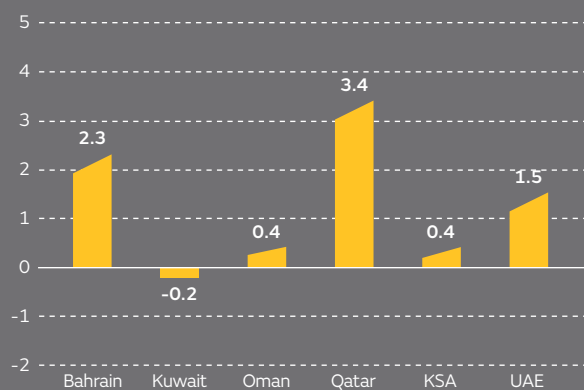
(US\$ billion)

**Consumer Price Inflation**

(percent change)

**REAL GDP**

(percent change)







## About GIB

Gulf International Bank (GIB) is a full-fledged financial services institution, working in partnership with its clients to deliver innovative bespoke banking solutions. These cover conventional and Shariah-compliant corporate banking, debt and equity capital market-related services, financial advisory, asset management and treasury; together with the MENA region's first Shariah-compliant digital retail bank, 'Meem' (meem). Supported by cutting-edge technology and high-calibre human capital, the Bank operates in strict accordance to the highest global standards of ethical and professional conduct.

GIB employs over 1,100 professionals across the globe. Its principal subsidiaries are London-based GIBUK Limited (GIBUK) and Riyadh-based GIB Capital in the Kingdom of Saudi Arabia. The Bank has international branches in London and New York; regional branches in Riyadh, Jeddah and Dhahran in Saudi Arabia, and Abu Dhabi in the United Arab Emirates (UAE); together with a representative office in Dubai, UAE.

Commencing operations in the Kingdom of Bahrain in 1976, GIB is licensed by the Central Bank of Bahrain as a conventional wholesale bank. Owned by the governments of the six Gulf Cooperation Council (GCC) countries, GIB's principal shareholder is the Public Investment Fund of the Kingdom of Saudi Arabia, with a majority stake of 97.2 per cent.

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