

Transformation of the Middle East into a Leading Digital Economy



The Middle East is on the verge of a massive digital disruption - the cross-border data flow connecting the Middle East to the world has increased by more than a hundred times. Citizens themselves are leading the Middle East's digitisation charge. As measured by digital consumer adoption, the United Arab Emirates, Qatar, and Bahrain are among the top countries in the world, with more than 100 percent smartphone penetration and more than 70 percent social media adoption – even higher than the United States.

Some Middle Eastern governments, including those of the United Arab Emirates and Bahrain, have begun implementation of core digitisation initiatives. Indeed, the UAE government leads the Middle East in digital adoption and matches the index's digital frontier on several metrics. Other countries also have big ambitions and have made considerable progress. Across sectors, the digital economy accounts for 4.1 percent of the Middle East's GDP, as measured by digital share in private consumption, private investment, government expenditure, and imports and

exports. Digital's contribution to GDP in the Middle East is just 50 percent that of the United States. Furthermore, the Middle East average hides a great deal of variation among countries. GCC countries generally have more digitised economies than their neighbours. For instance, the digital economy accounts for 8.0 percent in Bahrain and 5.1 percent in Kuwait—but less than 1 percent in both Oman and Qatar. Bahrain's high score is mainly driven by that country's high digital exports to regional neighbours.

Innovative uses of digital by various businesses around the Middle East highlight the promising momentum in this space. ENOC and EPPCO in Dubai, for example, have developed a prepaid fuelling system that allows cashless and cardless automated fuel payments. Some of the biggest oil companies in the GCC are exploring ways to make its oilfields smarter by digitising operations with big data and analytics, sensors, and control systems. The regional online private car-booking service Careem is another success story: while the global market is dominated by giants such as Uber from the United States or Didi in China, Careem is able to compete regionally with a localised strategy focusing on B2B integration and additional features such as scheduled bookings – not just for their own fleet of chauffeurs but also for the cabs.

Digital advertising is the second largest form of advertising in the world; with global ad spends at about \$150 billion in 2016. However, the MENA region is still to catch up; less than \$1 billion in 2016. Once again, this current small scale means a large opportunity for the future. The six GCC markets (Gulf countries: Saudi Arabia, Qatar, Kuwait, Bahrain, Oman, UAE) experienced a combined growth of 7.4 percent in 2016, and are expected to collectively grow by 9.1 percent in 2017. Saudi Arabia, which accounts for 41 percent of GCC ad spend, grew by 9 percent in 2016 and is forecasted to grow by 9.5 percent in 2017. New technologies in the ad space are making it relatively simpler for advertisers to identify their choice of medium for advertisements and for publishers to sell advertisement space. Mediaquest, one of the largest media companies in the region, has created the first online market place for Ad space and content in the region called MENA Market Place – a leader in programmatic advertising. This platform assists the region's leading publishers to better monetize their digital advertising inventory through automated online auctions and private marketplaces. They provide targeted inventories to buyers across the region.

The future digitalisation in the Middle East will require the participation of all stakeholders, from government leaders and individual agencies to the private sector. Given the accelerating pace of technology and it's potential to continually change our lives for many years to come, now is the perfect opportunity for the region to adapt digital practises in all departments and sectors of the economy.