



MENA Digital Economy: On the cusp of a digital revolution

August 2022

MENA is a ~\$2.8Tn economy with a young and vibrant digitally evolved population

~\$2.8Tn
Economy

Consumer expenditure
50%+
of GDP

~60%
Internet Users

>110
Mobile connections
per 100
people

~7%
Digital
Economy
Penetration

Linguistically Alike

Young & Vibrant

Large Urban Population and
Expats Friendly

العربية



Arabic

Official
language in all
countries

English

Widely accepted
in most of the
countries

26 yrs

Median Age
(one of the
lowest globally)

>48%

population
female

65%+

of population in
urban

48%+

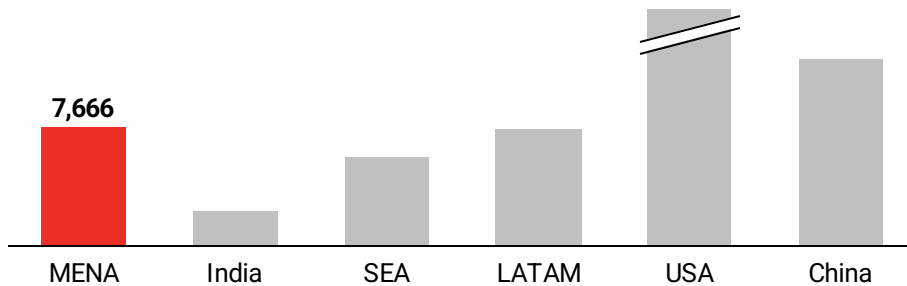
of GCC
population is
Expats

MENA is home to a digitally ready population with strong enabling logistics infrastructure, making the region a fertile ground for digital solutions

Supportive Macro

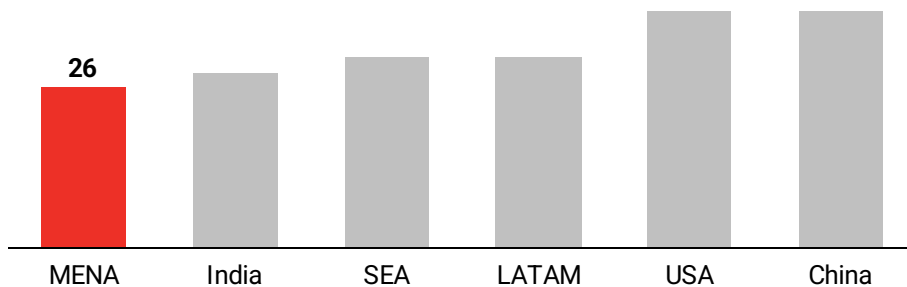
GDP/Capita by Region

USD, 2021



Median Age by Region

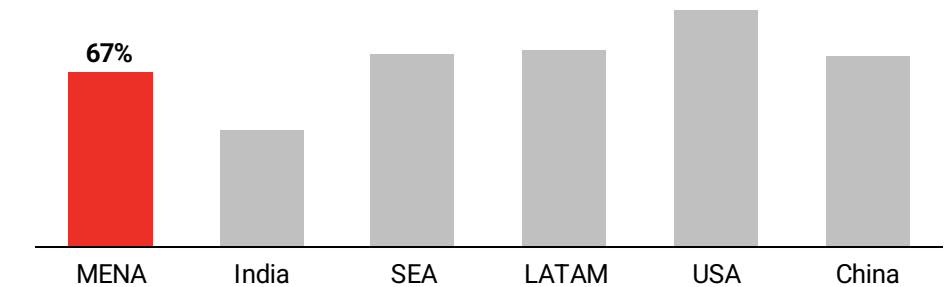
#, 2021



And Strong Digital Enablers

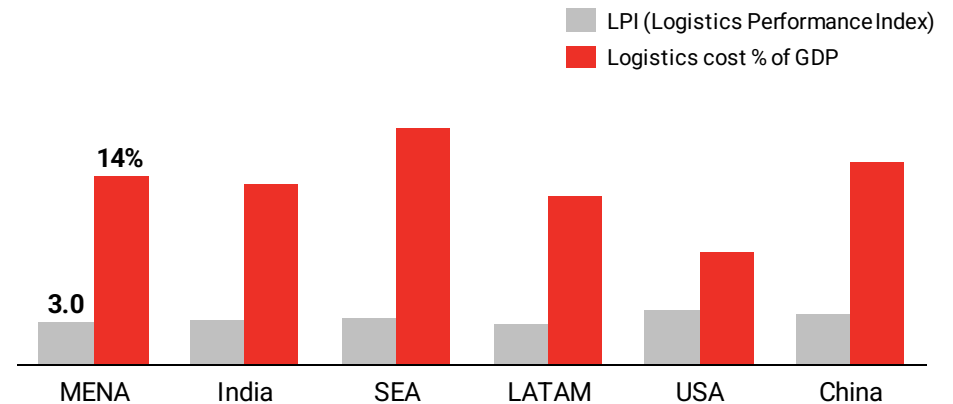
Internet Penetration as % Total Population

%, 2021



Logistics Performance

%, 2019



Governments are supporting the ecosystem by undertaking key initiatives to boost Digital Economy in the region

Favorable Employment Policies

- Golden Visa system **allows foreign nationals to live, work, conduct business** and study in UAE without requiring a national sponsor
- UAE **has introduced freelance visas** for a host of categories to woo talent into the country
- Saudi government has **introduced Labor Laws to improve transparency and mobility** for expat employees in the private sector

National Vision Programs

- **UAE Digital Economy Strategy** aims to double the contribution of the digital economy to the GDP from 9.7% to 19.4% by 2032
- KSA aims for **70% cashless payments** in Vision 2030
- **Jordan Vision 2025 aims to digitize more than 80% of government payments** and mobilize around **US\$20 Mn investments**

Cybersecurity/Data Localization

- Across MENA, countries are developing frameworks for data localization and privacy. UAE data localization policy is one such example
- **New Saudi data privacy regulations aim to increase confidence in e-commerce** by providing consumers necessary protections against fraud.

Web 3.0 Regulations

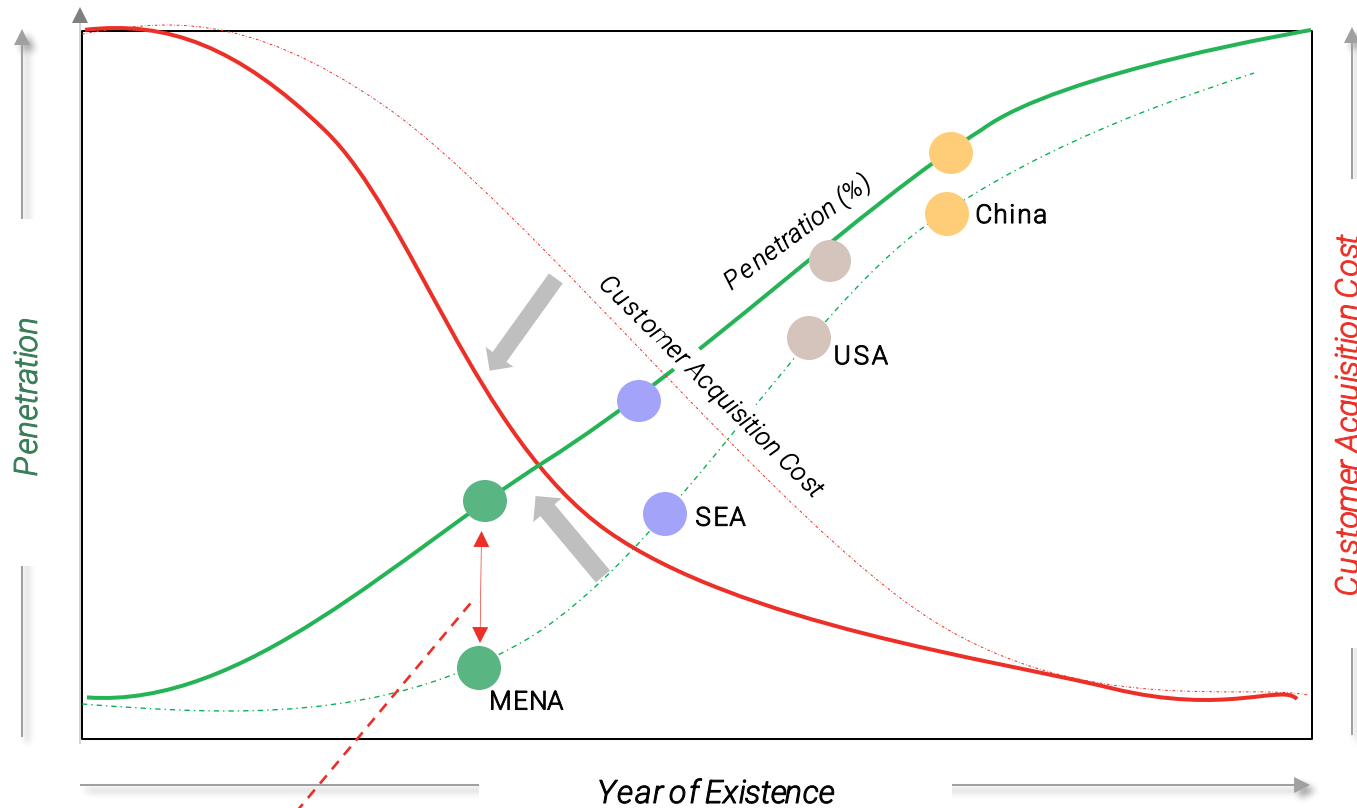
- **UAE and Bahrain govt. have taken steps to recognize** the use of blockchain and regulate the cryptocurrency market
- Favorable regulations led to emergence of cryptocurrency players such as **BitOasis, Rain and CoinMENA** in the region

The timing of the pandemic helped digital economy overall, but more so for MENA...

Digital economy evolution

Conceptual representation

--- Standard Evolution path — New Evolution path



Key Takeaways

- 1
 - ✓ Rapid digital adoption was witnessed in 2020 because of limited physical movement resulting in less offline shopping
- 2
 - ✓ Players utilized this opportunity to enhance their capabilities to meet the excess demand
- 3
 - ✓ High organic demand led to better unit economics, creating a favorable environment for the startup ecosystem to grow

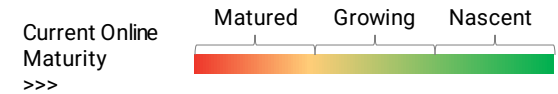
The behavioral changes influenced by the pandemic were advantageous for the MENA region as it aided customer acquisition in the phase where maximum cash burn happens on customer education/awareness & acquisition

Source(s): RedSeer Analysis, Desk Research

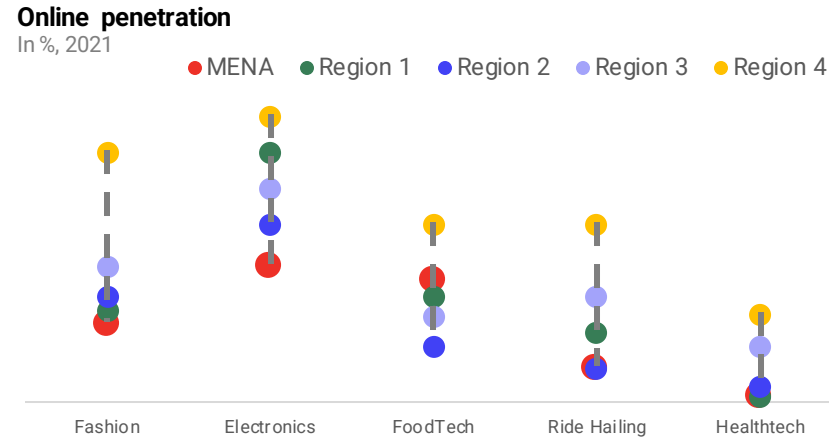
Note: Countries included in MENA in digital economy section are GCC countries, Yemen, Levant region (except Palestine) and Northern Africa (except Sudan and Western Sahara)

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...setting it up 100m new users to power 14% of economic growth in the region over the next 5-6 years



Underpenetrated market, presents immense upside



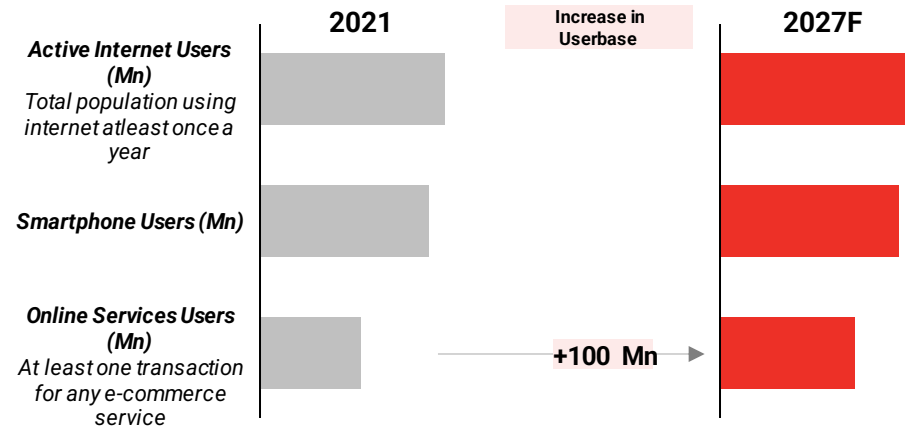
Growth left in mature & frontier markets

Digital Economy Sector vs Country Growth Matrix
% CAGR for period 2021 – 2027F

Sectors	UAE	KSA	Rest of MENA
Ride Hailing	Orange	Light Green	Light Green
Payments	Orange	Light Green	Light Green
E-tailing	Orange	Light Green	Dark Green
Services- Mature Sectors ¹	Light Green	Light Green	Light Green
Services- Emerging Sectors ²	Light Green	Light Green	Dark Green

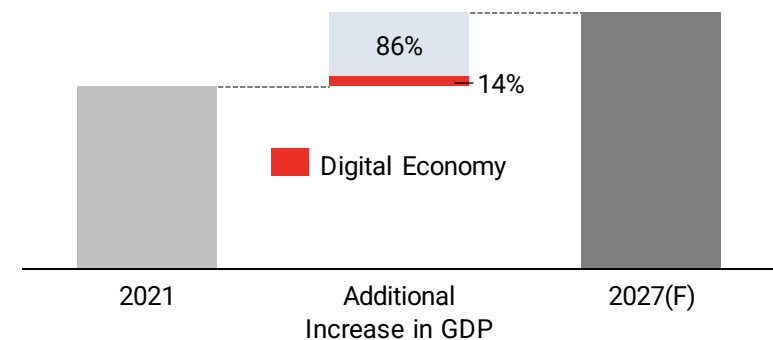
Source(s): RedSeer Primary Research and Analysis
Note: 1. Mature Sectors include Travel and Ride-Hailing. 2. Emerging Sectors cover InsurTech, EdTech and HealthTech

Online service users to increase by 100Mn in 2027



Digital to power 14% of economic growth

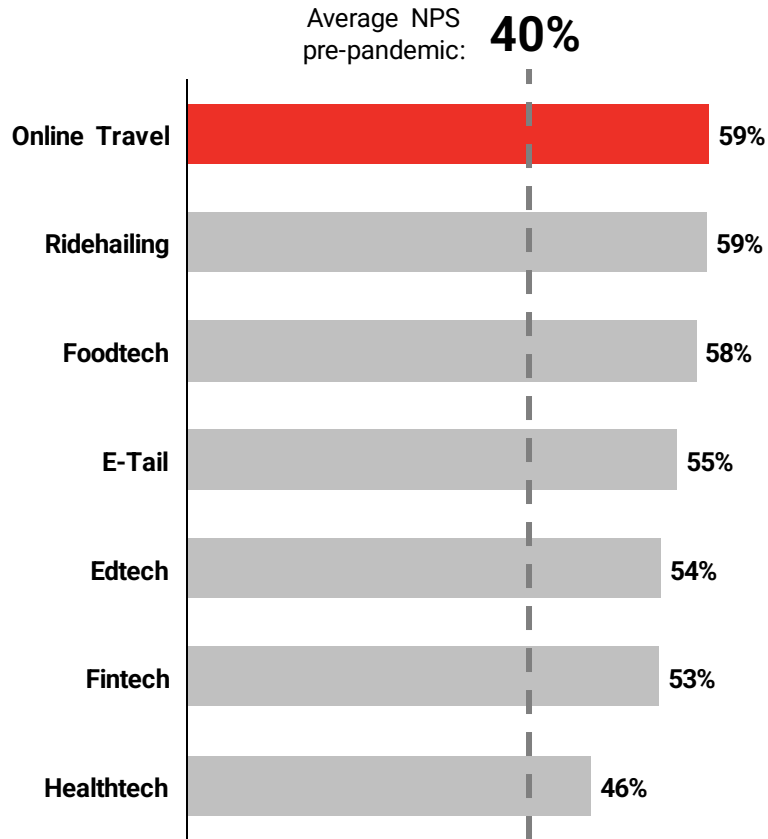
MENA GDP
USD Tn, 2021 – 2027(F)



High NPS in digital economy has driven intent to increase spend in the future

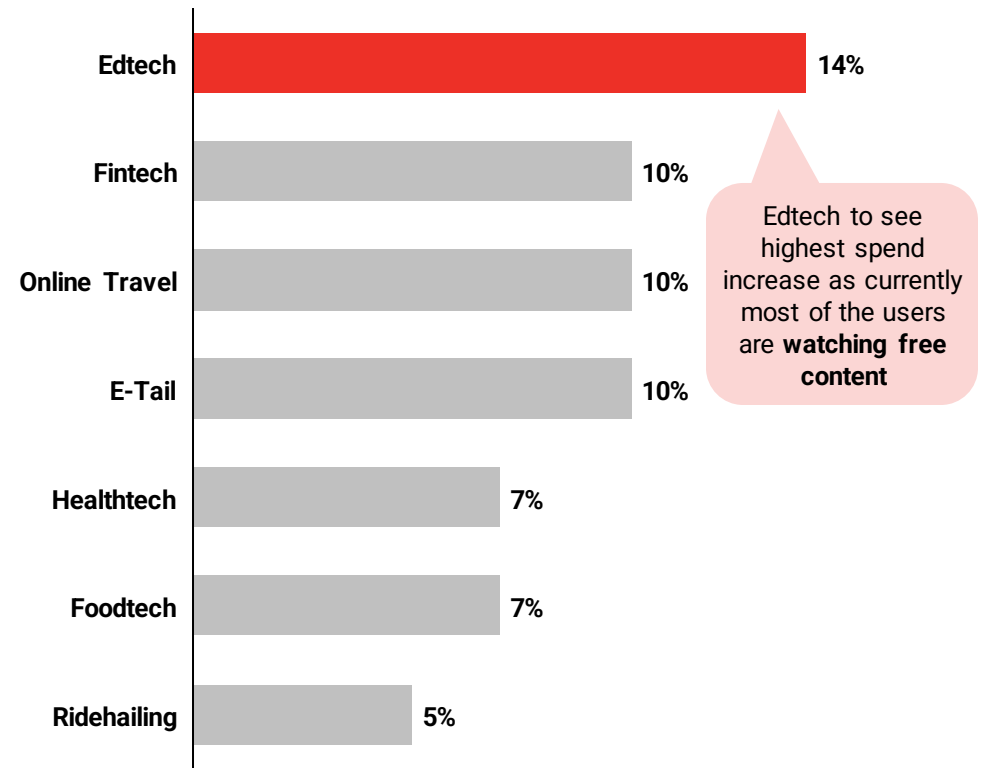
NPS^{1,2} across different Sectors

NPS Score



Spend Increase³ among Current Sector Users

% net increase among Current Users for each Sector in next 12 months



Note(s): 1. It is largely representative of UAE & KSA consumers

2. On a scale of 0-10, how likely are you to recommend the following websites to your friends & relatives? (0 - Not at all Likely, 10 - Very Likely)

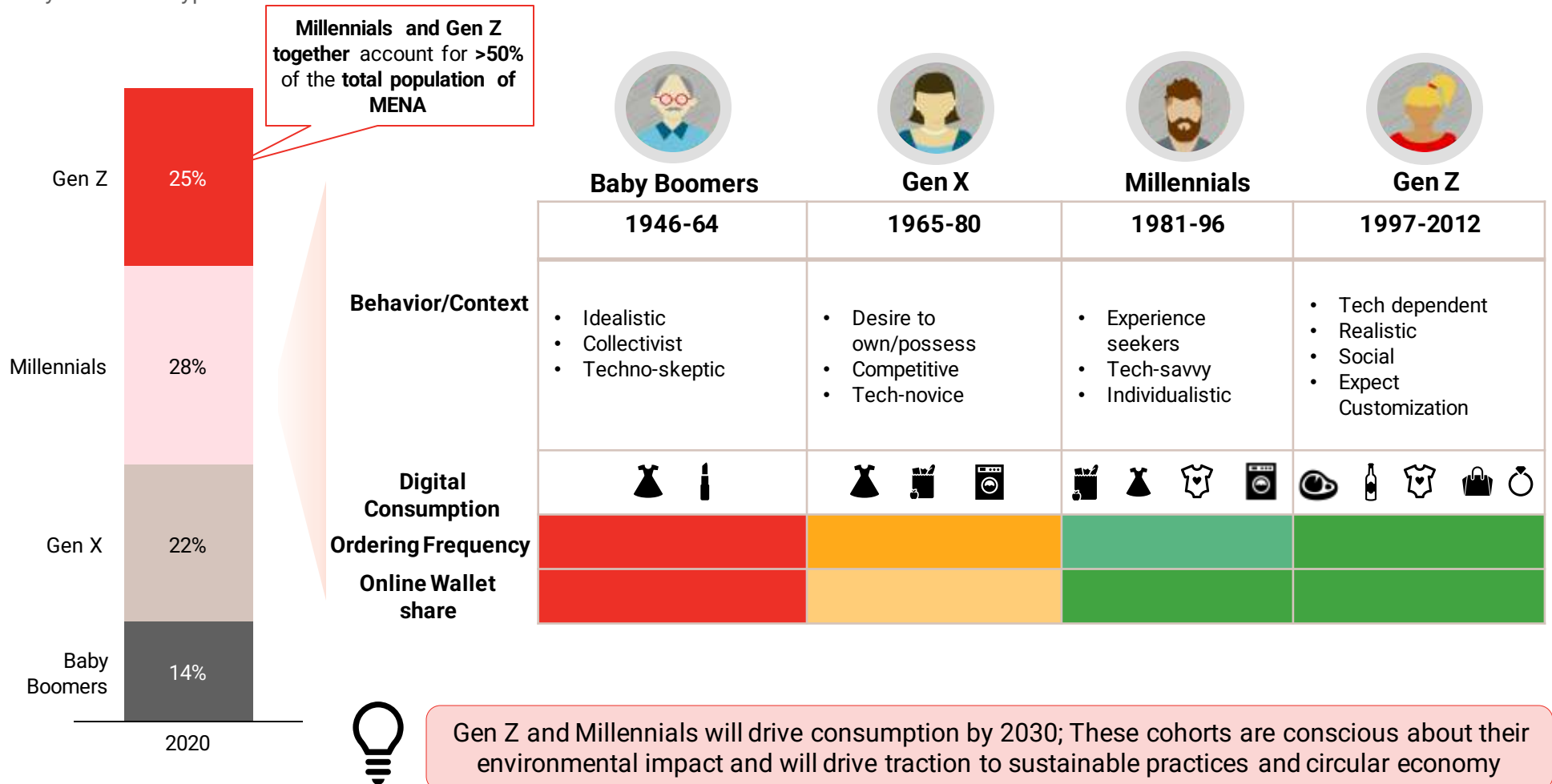
3. How will your spend change on digital activities for the following categories in the next 12 months?

Source(s): RedSeer Consumer Survey, RedSeer Analysis

Millennials and Gen Z will shape the future of digital economy in MENA – these cohorts are digital natives and have values rooted around sustainability

MENA Population split¹
By Generation type

Low  High

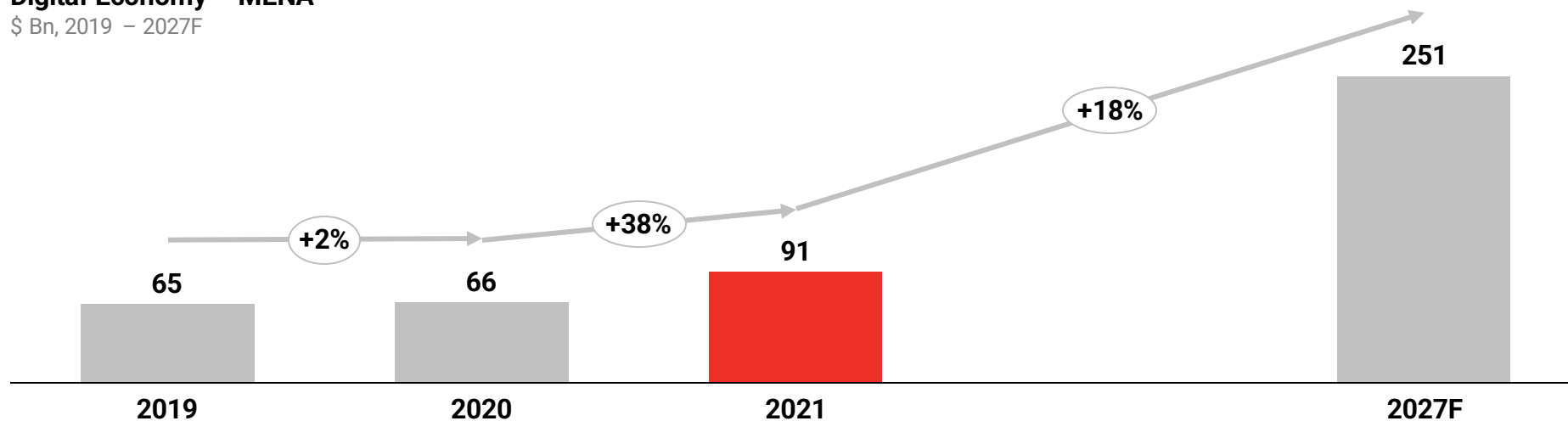


Source(s): Consumer Survey, RedSeer Analysis

Overall, \$91 Bn MENA digital economy in the region is expected to be \$251 Bn by 2027

Digital Economy – MENA

\$ Bn, 2019 – 2027F



2016-19: Growing Phase



- Tech-Savvy, Gen Y, Affluent Consumers were primary adopters of the digital economy
- E-Tailing players were the first movers into the digital space
- UAE began as the regional hotspot for the digital economy buoyed by its strong internet penetration rate and high share of educated customers

2019:2020 Disruption Phase



- The onset of the COVID-19 pandemic helped drive mass adoption of e-commerce, with the customer base in the region expanding to Gen Z and Gen X users
- This period witnessed the rapid rise of online grocery, food delivery and other quick commerce platforms
- Furthermore, to support the growth of the digital economy, government's in the region implemented regulations on digital payments to drive adoption and fuel e-commerce growth

2021:2027 Acceleration Phase



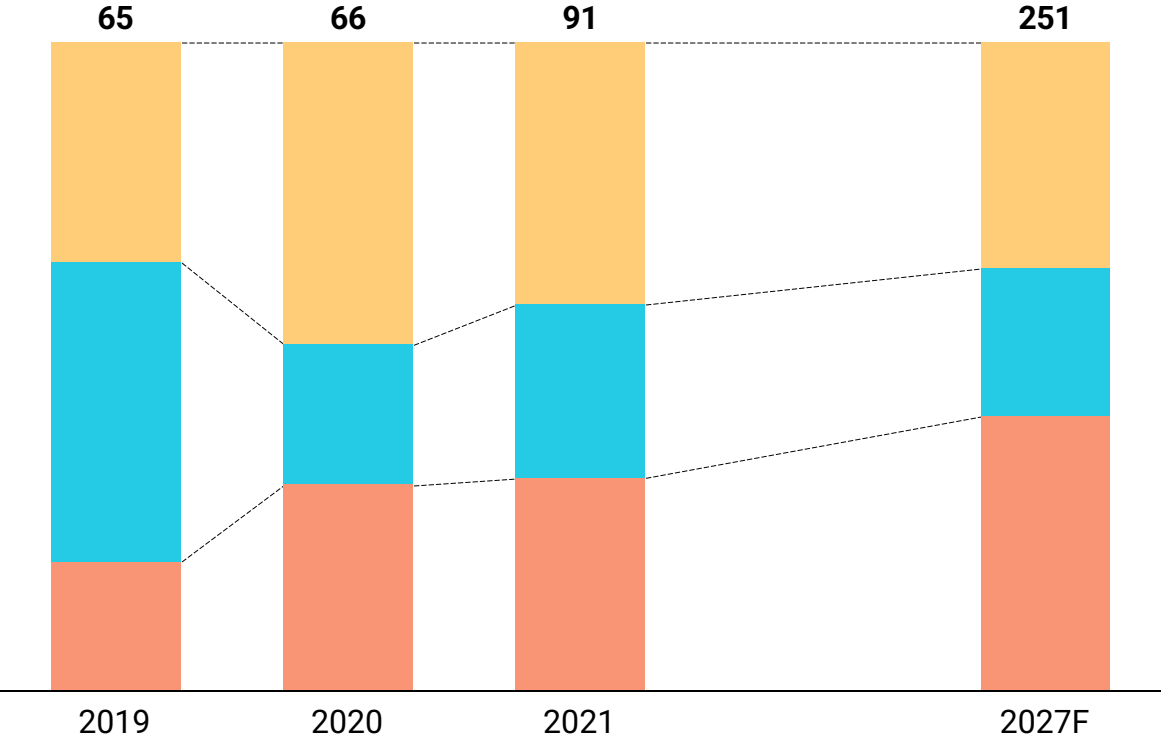
- The post pandemic digital economy has seen the rise of emerging sectors including HealthTech, EdTech and Fintech
- Regulation and government initiatives across MENA will unlock investments and drive growth, with future growth arriving from hinterlands
- However, inflationary pressures, cross border regulations and geopolitical instability present challenges to the digital economy growth

E-Tail and Travel are the two largest sectors, contributing ~60% to the Digital Economy

Digital Economy Sector Split – MENA

\$ Bn, 2019 – 2027F

E-Tail Travel Others



Key Takeaways

- ✓ Super App focus of digital startups in the region will generate new growth trajectories. By increasing customer use cases, customers are expected to display improved loyalty and cross adopt services including food & grocery delivery, ride hailing, digital payments, etc.
- ✓ Growth sectors including EdTech, HealthTech and Fintech are currently underpenetrated in the region. Going forward, rapid growth is expected in these sectors as currently observable in economies including USA, India, China

Note: 1. Others include Ride Hailing, FoodTech, HealthTech, EdTech and Bill Payments

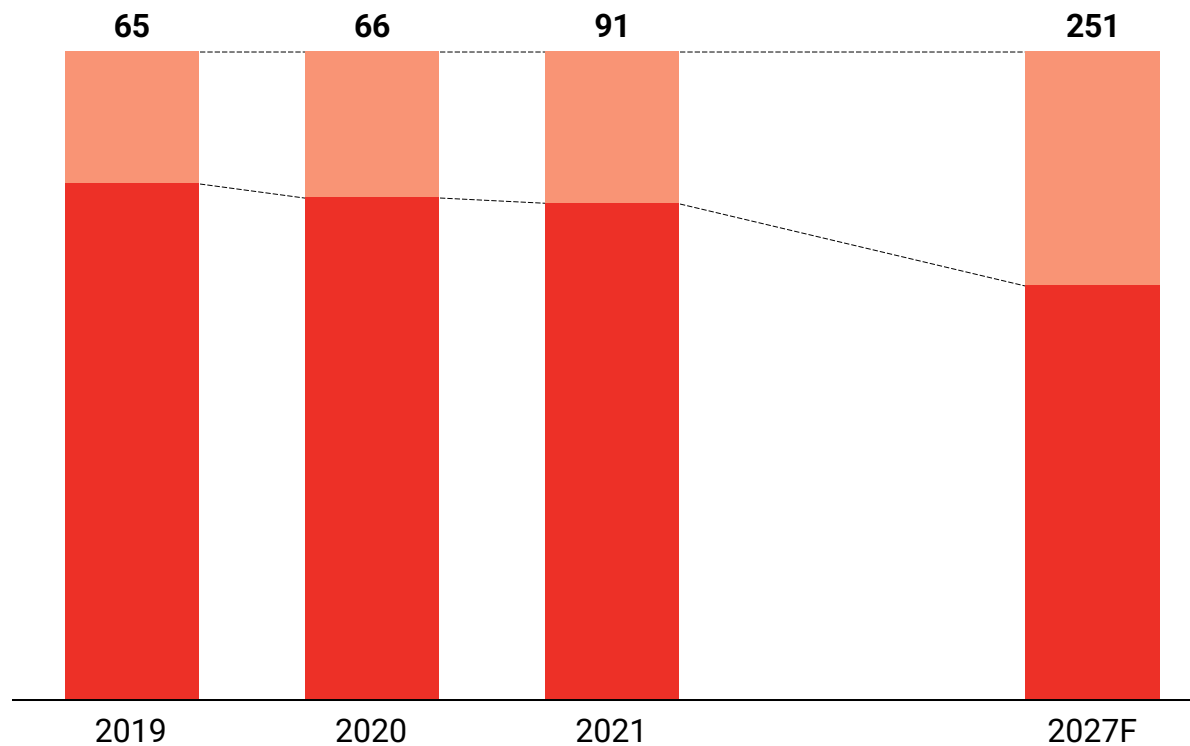
Source(s): RedSeer Analysis, Desk Research

While UAE & KSA drive large majority of the market currently, other markets are set to outgrow them in coming years

Digital Economy Country Split – MENA

\$ Bn, 2019 – 2027F

■ UAE+KSA
■ Rest of MENA



Key Takeaways

✓ Growth in the digital economy in the UAE & KSA are anticipated to come from emerging sectors including EdTech, HealthTech and FinTech

✓ Growth in digital economy of other countries in MENA including Jordan, Egypt, Iraq and Rest of MENA will come from both emerging sectors and matured sectors

Note: 1. Rest of MENA countries include other GCC countries, Egypt, Morocco, Iraq, Tunisia, Algeria, Libya, Lebanon, Yemen, Syria & Jordan

Source(s): RedSeer Analysis, Desk Research

Thank you for your time.

This was an overview of the digital economy. The full perspective goes into a lot more detail as outlined below

Coverage of full perspective

- Macro trends
- Regulatory and investment environment
- Digital economy enablers
- Digital economy sector¹ adoption and growth
- Digital economy evolution by sector
- Online penetration by sector & comparison with other global markets
- NPS and spend increase among current sector users
- Digital economy size (2019-2027F)
- Digital economy sector split (2019-2027F)
- Digital economy country² split (2019-2027F)
- Digital economy sector vs country growth matrix (2019-2027F)
- Online market overview by sector – Market Size & Segmentation, Competition, Relative attractiveness

Note(s): 1. Sectors covered include E-Tail, Travel, Ride Hailing, FoodTech, HealthTech, EdTech and Bill Payments

2. Countries covered include GCC countries, Egypt, Morocco, Iraq, Tunisia, Algeria, Libya, Lebanon, Yemen, Syria & Jordan

Furthermore, we have country and sector level deep-dives for Digital Economy

Country level deep-dives:

- UAE
- KSA
- Qatar
- Kuwait
- Egypt

Sector level deep-dives:

- E-Tail
- Food Tech
- Travel
- FinTech
- HealthTech
- EdTech
- Classifieds
- Ride Hailing
- PropTech

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