



# GCC Pre & Post COVID-19 Market Analysis Report Q4, 2020



Ento Capital is regulated by the Dubai Financial Services Authority (regulated number F002897) and is based in Dubai International Financial Centre (DIFC).

## About Ento Capital

Ento Capital is a Category 3C licensed firm regulated by Dubai Financial Services Authority (“DFSA”) and is based in the Dubai International Financial Centre (“DIFC”).

Our products & services include DPMs, real estate funds, equity & money market funds, Islamic finance products, private equity, M&A, capital restructuring, company valuation, arranging finance and feasibility studies.

Ento Capital Management team has more than 65 years of combined experience with proven track record. The team has been working together for more than eleven years and during the period successfully launched various mutual funds including real estate, equity & Murabaha funds with combined asset under management of more than USD2.6 billion. In addition, they have structured, restructured & established many financial companies & successfully arranged financing of more than USD900 million for various funds/projects.

## Legal Disclaimer:

Republication or redistribution of content in this report, including by training or similar means, is prohibited without the prior written consent of Ento Capital. No content or any part thereof may be modified, reverse, engineered, reproduced or distributed in any form by any means, without prior written permission of Ento Capital. The content shall not be used for any unlawful or unauthorized purposes. Ento Capital and any third-party provider, as well as their directors, officers, shareholders, employees or agents do not guarantee the accuracy, completeness, obtained from the use of the content. Ento Capital assumes no obligation to update the content following publication in any form or format. The Content should not be relied upon, and Ento Capital do not guarantee the accuracy and completeness of the information contained and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions.

The content is provided on an “as is” basis. In no event shall Ento Capital parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the content even if advised of the possibility of such damages. Figures and estimates in this report are subject to substantial changes, and might be change in according to the situation evolving and available information.

# Table of Contents

- 1. Foreword ..... 06**
- 2. Executive Summary ..... 07**
- 3. Pre COVID-19 Global Capital Market Performance ..... 09**
  - Macro Factors .....09
  - Public Markets ..... 11
  - Asset Management Industry ..... 12
  - IPOs, Bonds and Sukuks ..... 13
- 4. Pre COVID-19 GCC Capital Market Performance ..... 15**
  - Macro Factors ..... 15
  - Public Markets ..... 16
  - Bond Issuances..... 16
  - Asset Management Industry ..... 17
  - M&A and IPO Activity ..... 17
- 5. COVID-19 Impact on the GCC ..... 19**
  - Immediate Impact ..... 19
  - Government Response and Welfare Initiatives.....20
- 6. Investment Landscape Post COVID-19 ..... 23**
  - Market Impact and Recovery ..... 23
  - Recovery by Sector in Key GCC Countries.....24
  - Emerging Sectors amid the Pandemic..... 25
- Credit Landscape ..... 26
- GCC Real Estate Industry ..... 26
- Private Equity Market..... 27
- 7. Emerging Economic Scenarios Post COVID-19 ..... 29**
  - Oil Markets ..... 29
  - Tax Reforms ..... 30
  - Privatization & Access to Capital Markets ..... 30
  - COVID Vaccine Tracker ..... 32
- 8. Post COVID-19 Opportunities... 33**
  - Healthcare Sector ..... 33
  - Pharmaceuticals..... 33
  - Industrial Sector - Agriculture & Food Security ..... 34
  - Industrial Sector - Petrochemicals ..... 35
  - Financial Technology ..... 36
  - Logistics & Supply Chain ..... 37
  - Education..... 38
  - Financing Availability - Liquidity Response to COVID-19 ..... 39
- 9. Regulatory Changes ..... 41**
  - Future of Regulation ..... 41
  - FDI Norms Amendments ..... 42
- 10. Conclusions ..... 43**
- 11. References ..... 44**







# Foreword

This analysis and report have been constructed through Ento Capital which is a DFSA regulated financial firm with headquarter in DIFC, Dubai, UAE. The objective of this report is to highlight the Pre & Post COVID-19 impact on GCC market and the implications for economic development and how could it affect the economy disruption, and its financial impact on firms and financial markets.

The GCC Pre & Post COVID-19 Report | Q4 2020 has been prepared to help the readers assess the unprecedented impact of COVID-19 on the GCC markets. COVID-19 has brought about structural changes in the way we conduct business, while also impacting the social fabric. Certain sections of the economy have come under extreme stress because of these changes. Respective governments have announced sizeable fiscal and monetary packages to help the economies tide through these uncertain times.

The report aims to help the reader wade through this complex assessment of impact on the GCC economies and the business environment. Even before COVID spread, global slowdown has cast a spell on crude oil prices making it a double whammy for the GCC economies which have a higher reliance on crude exports. Amidst these dark clouds, silver lining in terms of new opportunities have emerged. We have tried to capture some of these emerging opportunities for the region.

Post COVID, the business rules are being rewritten with a special focus on scaling up technology to reach and serve the customers. The pandemic has also presented an opportune time for regulators and policy makers to draft new regulatory reforms. These measures will go a long way in making the region more competitive. As economies shift their reliance away from crude oil, the fundamental reform measures are expected to give the financial markets a much-needed boost to attract more Assets Under Management.

Overall, our Pre & Post COVID-19 report contributes to our understanding of the economic impact of COVID-19 on GCC business ecosystem. We believe the economic effect will in part depend on how the public act in response to the virus. Public reaction could allow the disease to spread more quickly and widely, or it could create unnecessary costs.



# Executive Summary

This report is an attempt to provide a clear view of the changing dynamics of the GCC markets. The report has been broadly divided between two key themes – pre COVID realities and the post COVID impact.

Global GDP growth has been slowed down in both Global and GCC markets. Trade tensions between major economies triggered a decline in global trade volumes which led to reduced crude offtake and crude price crash as manufacturing activity globally started contracting. As sentiments in financial markets took a bearish turn, gold became an attractive investment option as can be seen from the fund flows into the asset class which accelerated further post COVID with both prices and fund flows at all-time highs. Global and regional financial markets benefitted from the liquidity created by interest rate cuts announced by many Central Banks around the world to counter the slowdown. Global assets under management (AUM) grew by 15% to USD 89 trillion in the year ended 2019, with GCC AUM also set to grow in the coming years. Global sukuk issuances rose by 6% in 2019 and is expected to remain a favoured means of financing for regional sovereigns and businesses alike.

Major GCC markets saw high returns in 2019, driven by higher banking earnings and passive flows from index inclusions. The year 2019 saw a record-breaking IPO of Saudi Aramco, which raised USD 25.6 billion, being one of the highest proceeds in the world till date.

The COVID-19 impact was majorly felt in the GCC from early March, as markets continued to slide along with the unprecedented drop in oil which was precipitated by the expected halt in demand following lockdowns. GCC real estate industry suffered record decline in REIT prices. However, there has been a surge in demand for warehousing spaces to cater to the exponential growth in e-commerce needs in a post COVID world. Governments in the region acted swiftly to counter the economic challenges presented by COVID as well as oil prices.

GCC markets saw a recovery by June 2020 with a bounce back in oil due to gradual demand restoration around the world. Healthcare, food processing and food retail, transportation and warehousing sectors saw the swiftest recoveries. Newer tech in the healthcare space is expected to provide numerous opportunities like E-hospitals, telemedicine to name a few while garnering additional capital inflows for further strengthening the healthcare ecosystem in the region. On the credit side, banking sector is under temporary stress due to lower interest rates, higher provisioning and delinquencies. We might see some resurgence in bank consolidation activities as soon as business environment stabilises. Banking sectors' investment in digitisation and E-banking is yielding great results during the especially difficult operating environment.

Fiscal balances of the GCC economies are set to improve as oil is in the recovery mode, with the OPEC+ countries also set to start producing at higher levels starting August.

The focus for the governments in the region is on economic and regulatory reforms along with the long-term objective of diversification away from petrochemicals. GCC governments are increasingly pushing for public private partnerships, thereby providing ample of opportunities for the investors in the region. Foreign ownership limits have been amended through the region while new bankruptcy laws have also been introduced, making the region extremely competitive. GCC countries have posted improved performances on the Ease of Doing Business Index.

Sectors like healthcare, pharmaceuticals, agriculture and food security, petrochemicals, fintech, logistics and supply chain, education and credit offer rich opportunities especially in the context of post COVID world. Preventive medicine, need for more hospital beds, mandatory insurance is set to drive the demand for investment in the healthcare facilities. PPP opportunities are replete in this space. Complementary to that, the pharma sector is expected to double in size by 2028 due to urbanization, ageing population, and a rise in chronic lifestyle-related diseases. The pandemic has compelled the GCC markets to work on food security. GCC is making continuous efforts to support local producers help explore innovative farming methods given the natural resource constraints. The sector has a strong policy backing to accelerate the pace of



development. For the petrochemicals industry, demand for fertilizer (urea) and healthcare products is strong with ethane-based products remaining resilient. Fintech is an over-arching driver of innovation and efficiency across multiple sectors through the GCC. Logistics and supply chain is one of the sectors that is slated to experience strong growth through proliferation of E-commerce in the region. Additionally, the sector has been very agile and has responded to the pandemic challenges successfully. This sector has reported great strides in more efficient solutions systems and hence has seen steady inflow of investments. Lastly, education sector offers immense opportunities with the structural shift to E-learning and increase in course offerings carried through the internet. Apart from E-learning, the traditional educational set-up is also slated to expand given the expected continuous increase in the below 15 population in the region. This report aims to offers some rich insight on the opportunities.

GCC is at the cusp of rapid changes as it evolves into a more resilient and diversified economic bloc which in the coming years is expected to translate into higher economic growth.



Address:

Index Tower, Level 5, (West Tower)  
Dubai International Financial Centre  
P.O. Box 507081, Dubai, UAE.  
Phone: +971 (04) 269 9560  
Email: [info@entocapital.com](mailto:info@entocapital.com)