



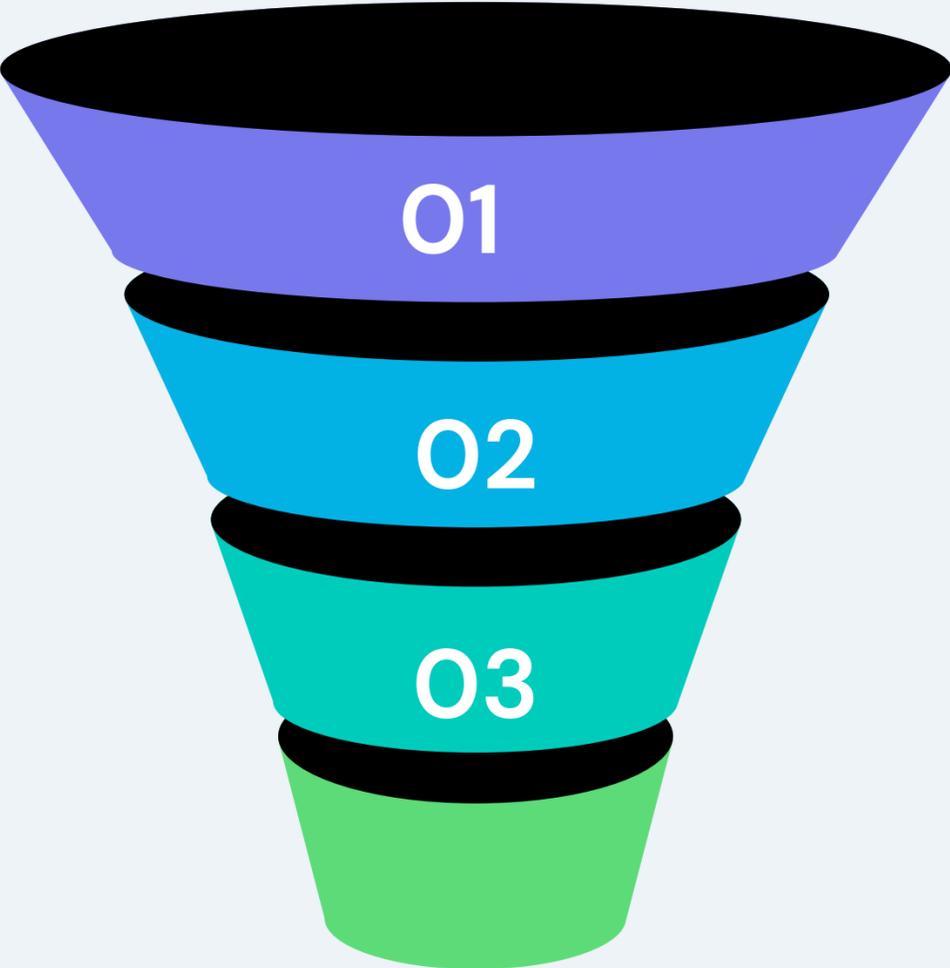
# THE DIGITAL TRANSFORMATION IN MIDDLE EAST

A Powerful Engine for Economic Diversification



# THE IMPERATIVE AND PROGRESS OF ECONOMIC DIVERSIFICATION

The central economic objective for the GCC remains the pursuit of a transition toward more diversified and sustainable economies. This effort is driven by the need for long-term stability amidst the volatility of global oil prices and the anticipated decline in future fossil fuel demand



**Economic Activity**

**Leaders:** Bahrain and the UAE lead the region, with non-oil sectors consistently accounting for over 80% and 70% of GDP, respectively.



**Fiscal Diversification**

A wave of tax reforms was initiated following the 2014 oil price collapse, including the introduction of VAT (in Saudi Arabia, UAE, Bahrain, and Oman) and excise taxes



**Export Diversification**

Non-hydrocarbon exports occupy a modest share of the total export basket, with chemicals dominating the composition. The UAE has achieved the most sustained progress in diversifying its export base. Services exports, including finance, tourism, and ICT, are growing in importance, especially in the UAE and Bahrain.

# MACRO FACTORS & FISCAL HEADWINDS OUTLOOK FOR 2025

Saudi Arabia

Renewed momentum with robust non-oil growth (4.8% in H1-2025).  
Real GDP projected at 3.8%

UAE

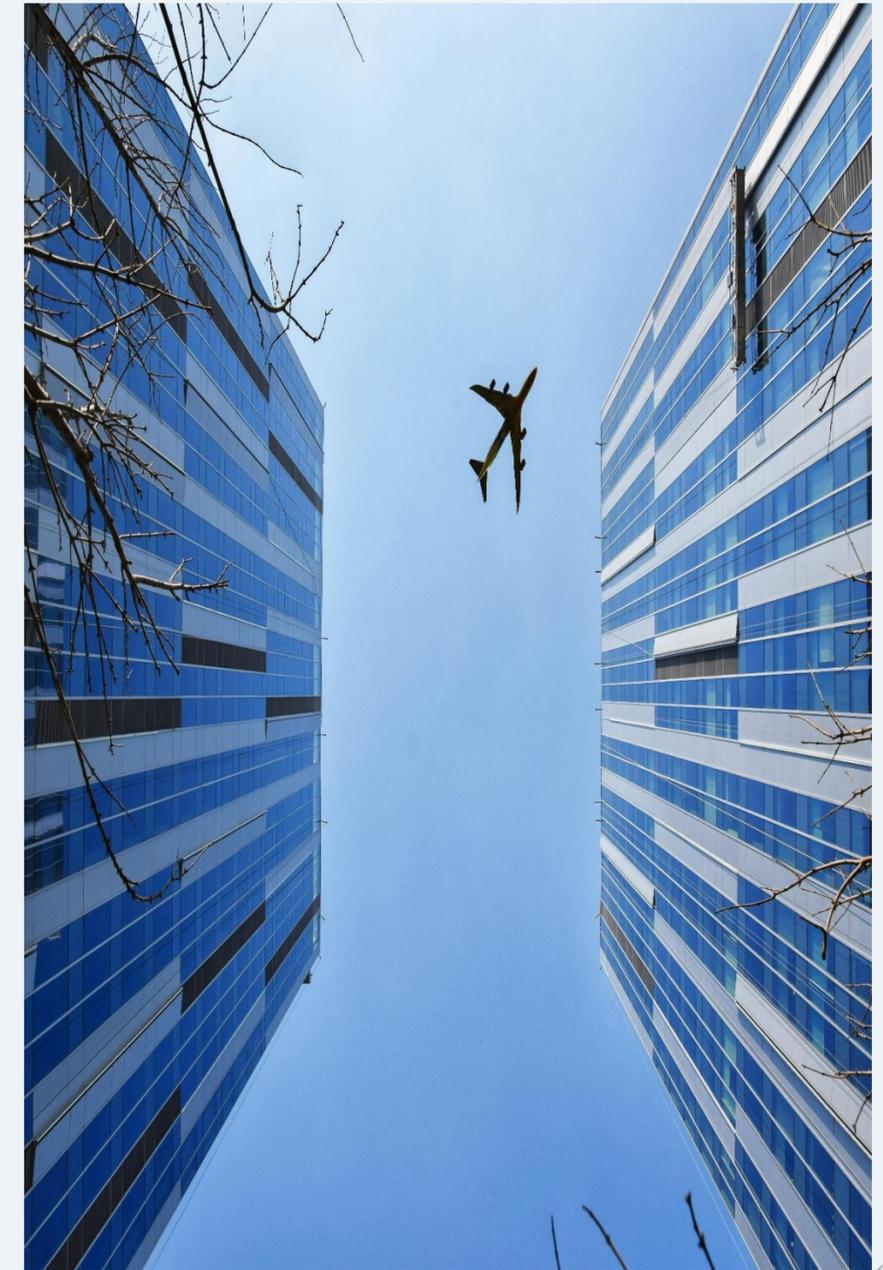
Expected real GDP growth of 4.8%. Sustaining dynamism and  
balanced growth due to its highly diversified economy

Qatar

Strong growth trajectory underpinned by robust non-oil sectors  
(tourism, trade). LNG expansion (North Field) is projected to  
boost output by nearly 50% by 2027

Oman

Fiscal balance returned to a deficit of 1.2% of GDP in H1-2025 due to lower oil  
prices. Public debt has been reduced and stabilized at 35.5% of GDP in 2024  
through buybacks



**cnfa**

Cross Nations Fund Advisors

# DIGITAL TRANSFORMATION: THE ENGINE FOR DIVERSIFICATION

## Connectivity

01



Internet adoption is nearly universal, with 5G coverage exceeding 90% in all countries. Data services are highly affordable, costing less than 1% of monthly Gross National Income (GNI) per person.

## Data Infrastructure

02



Significant investments are being made in data centers and high-performance computing (HPC) systems

## E-Government Maturity

03



Saudi Arabia (6th globally) and the UAE are among the world's top performers in digital government service delivery. Saudi Arabia's score jumped dramatically between 2022 & 2024 due to major improvements in its Online Services Index (OSI)

## Cybersecurity and Regulation

04



The region generally scores high on digital regulatory and cybersecurity indices. However, Kuwait lags, indicating vulnerabilities in technical capacity and regulatory frameworks.

## Fintech & Payments

05



Digital payments and financial technology (fintech) adoption are on the rise, with over 70% of adults having access to digital accounts. The UAE and Saudi Arabia are implementing comprehensive regulations covering fintech, data protection, and digital currencies

# READINESS & PRIORITIES FOR ARTIFICIAL INTELLIGENCE (AI)



The UAE and Saudi Arabia are clear regional leaders in AI preparedness and government AI readiness, with scores comparable to the average for high-income countries. They are investing heavily in AI-specialized tertiary education



Implement robust competition policies to prevent market dominance by early adopters and support SME adoption of AI through shared data infrastructure.



Develop strong social safety nets and large-scale re-skilling programs to prepare workers for displacement and facilitate labor mobility.



This push for AI, while offering important economic benefits in terms of higher productivity and accelerated growth, also raises concerns about potential labor market disruptions and the high environmental costs (energy/water consumption) associated with the technology



Invest in strong cybersecurity safeguards, address Arabic language data quality, and apply pricing mechanisms that reflect the scarcity of energy and water to manage AI's environmental footprint.

# CONCLUSION

## Diversification

Diversification remains the central economic priority for the GCC. While progress over the past decade has been meaningful, a significant amount of work remains to fully detach fiscal health and economic stability from hydrocarbon revenues

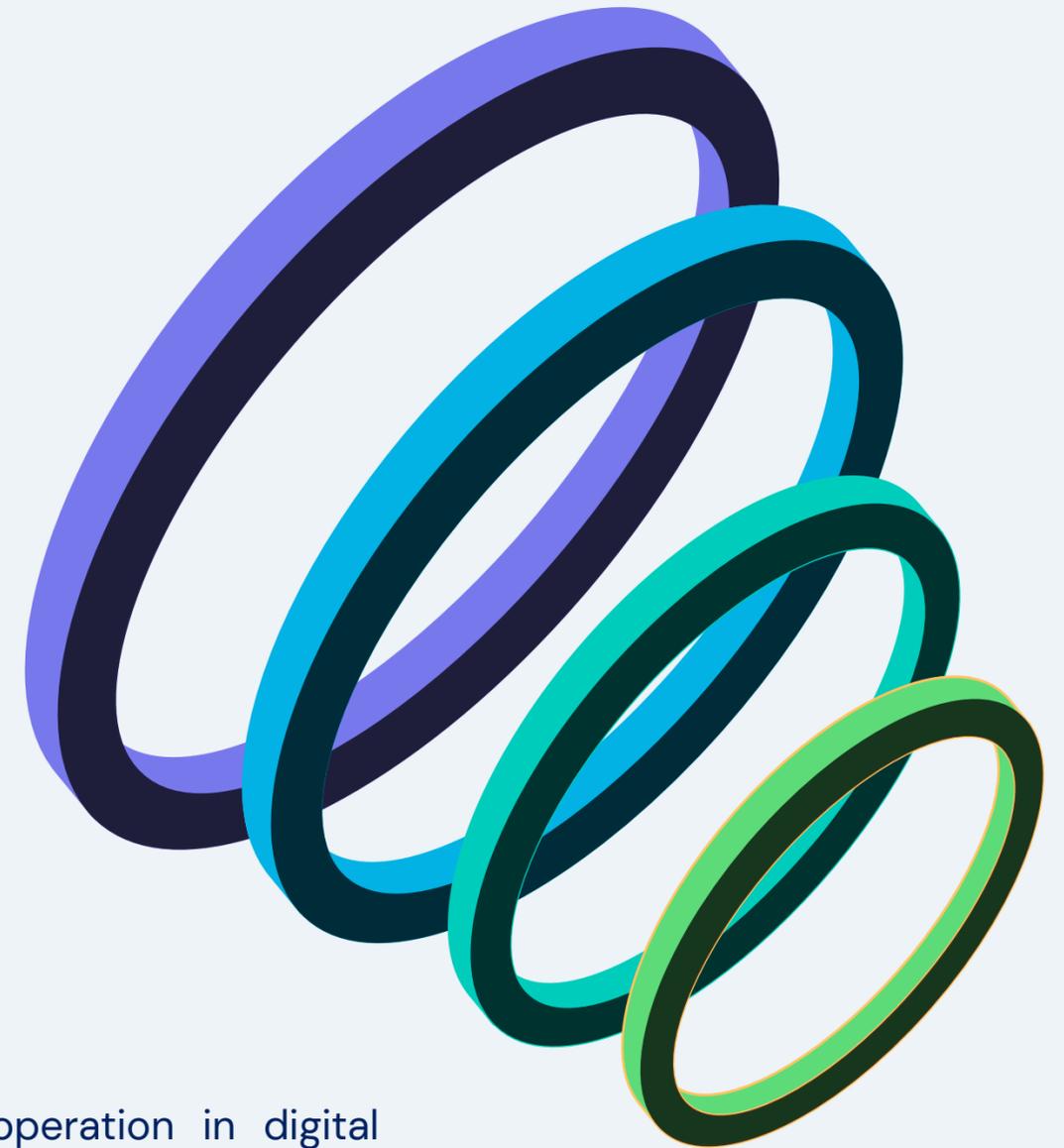
## Consistent Value

The region's key assets—improving non-oil momentum, strong macroeconomic foundations, and a rapidly advancing digital landscape—provide a powerful foundation for future success.

## Balanced Policy

Achieving sustainable and inclusive growth in the AI era requires a balanced policy mix that fosters innovation, protects workers, and safeguards natural resources.

Furthermore, the GCC countries can enhance their collective potential through regional cooperation in digital infrastructure, services, and AI centers of excellence, which could potentially lead to a single digital market adapted to the local context. Sustained commitment and well-sequenced reforms are critical to realizing a more balanced and sustainable growth model.



# THANK YOU



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