



# MENA Retailscape 2020

February 2020

**VISA** everywhere  
you want to be

## **DISCLAIMERS**

### **AS-IS**

Case studies, comparisons, statistics, research and recommendations are provided "AS IS" and intended for informational purposes only and should not be relied upon for operational, marketing, legal, technical, tax, financial or other advice. Visa Inc. neither makes any warranty or representation as to the completeness or accuracy of the information within this document, nor assumes any liability or responsibility that may result from reliance on such information. The Information contained herein is not intended as investment or legal advice, and readers are encouraged to seek the advice of a competent professional where such advice is required.

### **CONFIDENTIALITY**

This presentation is furnished to you solely in your capacity as a client of Visa and/or a participant in the Visa payments system. By accepting this presentation, you acknowledge that the information contained herein (the "Information") is confidential and subject to the confidentiality restrictions contained in Visa's operating regulations and/or other confidentiality agreements, which limit your use of the Information. You agree to keep the Information confidential and not to use the Information for any purpose other than in your capacity as a customer of Visa or as a participant in the Visa payments system. The Information may only be disseminated within your organization on a need-to-know basis to enable your participation in the Visa payments system. Please be advised that the Information may constitute material non-public information under U.S. federal securities laws and that purchasing or selling securities of Visa Inc. while being aware of material non-public information would constitute a violation of applicable U.S. federal securities laws.

### **FORWARD-LOOKING STATEMENTS**

This presentation contains forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995 that relate to, among other things, [our future operations, prospects, developments, strategies, business growth]. Forward-looking statements generally are identified by words such as "believes," "estimates," "expects," "intends," "may," "projects," "could," "should," "will," "continue" and other similar expressions. All statements other than statements of historical fact could be forward-looking statements, which speak only as of the date they are made, are not guarantees of future performance and are subject to certain risks, uncertainties and other factors, many of which are beyond our control and are difficult to predict. We describe risks and uncertainties that could cause actual results to differ materially from those expressed in, or implied by, any of these forward-looking statements in our filings with the SEC. Except as required by law, we do not intend to update or revise any forward-looking statements as a result of new information, future events or otherwise.

### **THIRD-PARTY LOGOS, NAMES AND OTHER INTELLECTUAL PROPERTY**

All brand names, logos and/or trademarks are the property of their respective owners, are used for identification purposes only, and do not necessarily imply product endorsement or affiliation with Visa.

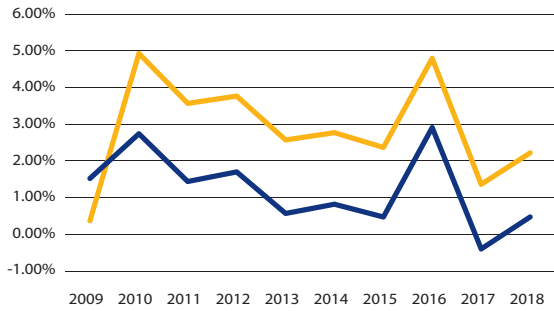
# CONTENTS

- 4 MENA ECONOMIES  
Transitioning beyond oil
- 6 THE MENA RETAILSCAPE  
A continuing evolution
- 8 SECTOR INSIGHT  
Food holds court
- 10 CHANNEL INSIGHT  
eCommerce drives acceptance
- 12 TRAVEL TALES  
The power of inbound spending
- 14 ABOUT VISA CONSULTING & ANALYTICS

## MENA ECONOMIES

# Transitioning beyond oil

MENA GDP (% change)

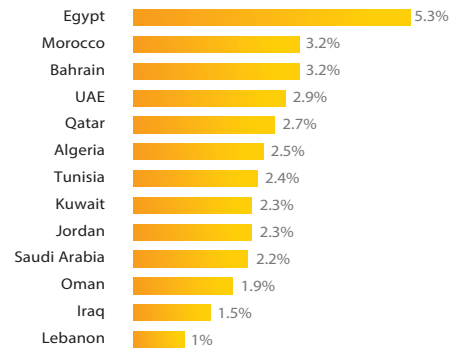


SOURCE: World Bank

— GDP Growth — GDP per Capita Growth

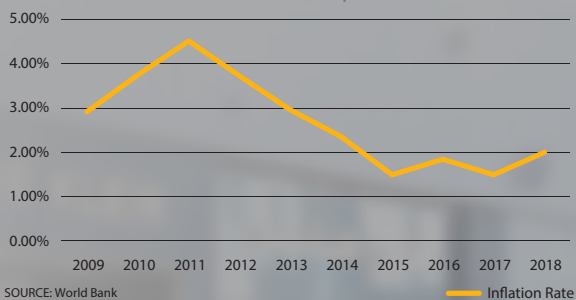
The region is expected to grow at a subdued rate of 0.6% in 2019, rising to 2.6% in 2020 and 2.9% in 2021, with a wide range of growth rates among the various economies of the region.

GDP growth in 2018 by country



SOURCE: Statista

MENA inflation (consumer prices - % annual)

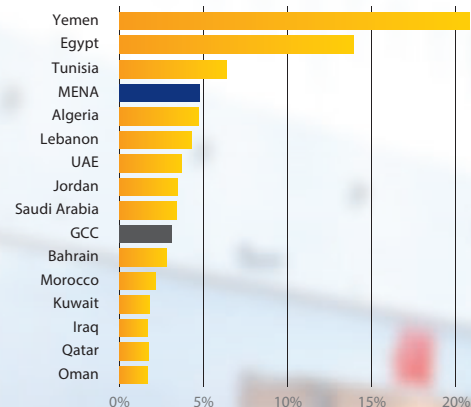


SOURCE: World Bank

— Inflation Rate

Over the past 5 years, the average rate of inflation in MENA countries has been held below 2% per year, with most countries except Yemen, Egypt and Tunisia remaining under 5%.

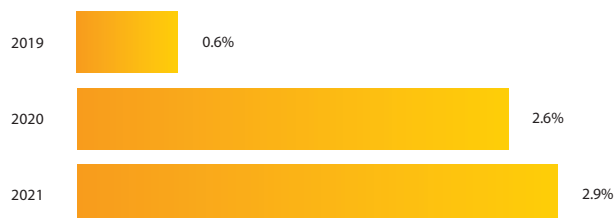
Inflation by country, 2018



SOURCE: National statistical institutes and central banks, via Focus Economics



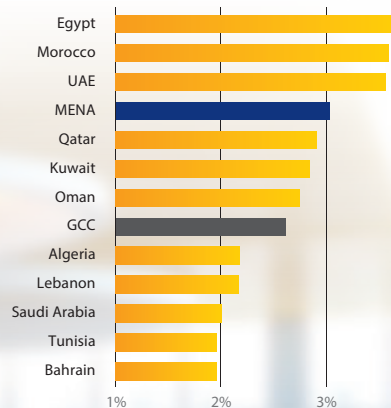
GDP growth outlook



SOURCE: World Bank

Consumer spending accounts for between half and two-thirds of GDP in most countries and is usually a key engine of economic growth.

Consumption growth, 2018



SOURCE: National statistical institutes and central banks, via Focus Economics

- Egypt's implementation of macro-economic and structural reforms is aimed at stabilizing the economy and attracting more private sector participation. GDP rose 5.6% in 2019, driven by wholesale and retail trade, real estate and construction, gas extraction and tourism.
- Real GDP growth in the UAE, the second largest economy in the Middle East, should pick up in 2020 with the hosting of Expo 2020 – and its boost to tourism and spending – and higher oil prices. Economic diversification and improving the business environment will continue to be the major policy priorities.
- Saudi Arabia has flourished in the past couple of years. New investments and job creation across sectors, the launch of a cinema industry, increased gender parity and freedom of travel for women, mixed gender sporting and cultural events and music concerts have all led to a new-found optimism among residents.
- Kuwait's growth slowed in 2019 to 0.7% from 1.2% in 2018. While lower oil prices and output curbs weighed on the oil sector, its non-oil growth strengthened.

## THE MENA RETAILSCAPE

# A continuing evolution

22%

The GCC's retail sector is forecast to grow to \$308 billion by 2023 from \$253 billion in 2018

77%

Saudi Arabia and the UAE will account for 77% of retail sales in the next five years

No.5

The UAE is ranked fifth among the top-ten retail destinations in the world

SOURCE: Alpen Capital, 2019

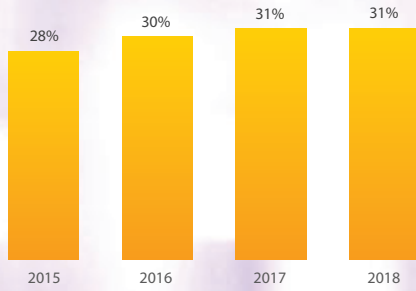
- Regional retail sector CEOs said they have witnessed a softer market in recent times and most said they were targeting low single-digit growth in 2019.
- While this would be considered very acceptable in mature markets, it's a far cry from the MENA region's double-digit growth of years gone by.
- The UAE and Saudi Arabia introduced VAT at 5% on January 1, 2018; Bahrain did so in 2019, with Qatar and Oman due to follow.
- Some retailers have absorbed the cost while others compensated by reorganizing their supply chain. All acknowledge VAT's direct impact on consumers' level of disposable income.
- Smaller 'community' malls are becoming increasingly popular as places to buy groceries, have lunch, visit the pharmacy and buy a birthday present, all under one roof.
- Delivery and logistics continue to be a challenge for retailers. Same-day delivery has become essential.

SOURCE: PricewaterhouseCoopers, 2019; media reports





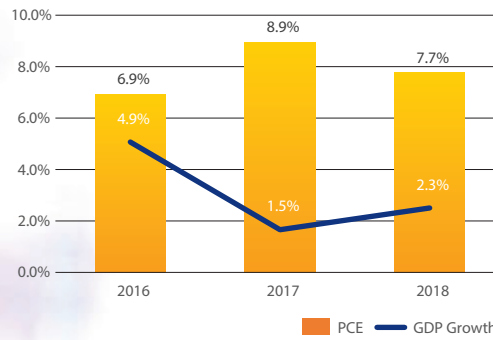
### Private Consumption Expenditure as share of GDP



SOURCE: Euromonitor, World Bank

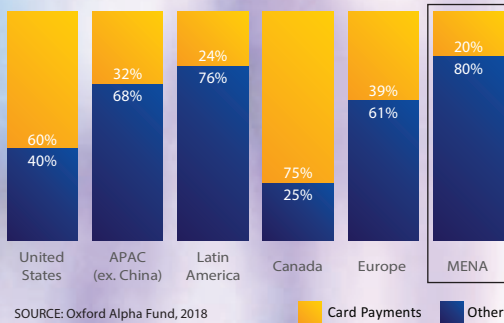
Private Consumption Expenditure (PCE) has increased its contribution to regional GDP and remains a key engine for growth.

### Private Consumption Expenditure growth vs. GDP growth (% change)



At the same time, Private Consumption Expenditure (PCE) has grown in spite of a softening trend in regional GDP growth.

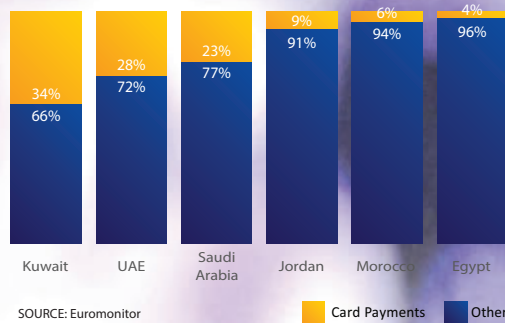
### Card penetration (global)



SOURCE: Oxford Alpha Fund, 2018

The MENA region continues to be the largest untapped opportunity for conversion from cash to card.

### Card penetration (select MENA markets)



SOURCE: Euromonitor

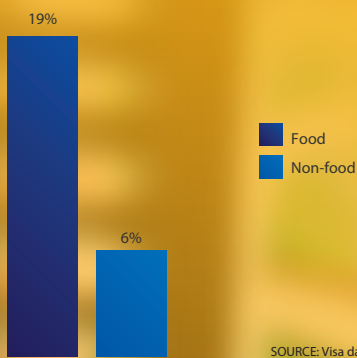
Cash continues to rule most economies due to limited digital acceptance.

**VISA**

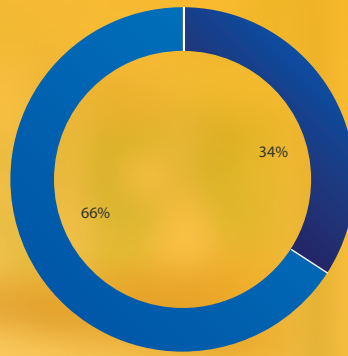
## SECTOR INSIGHT

# Food holds court

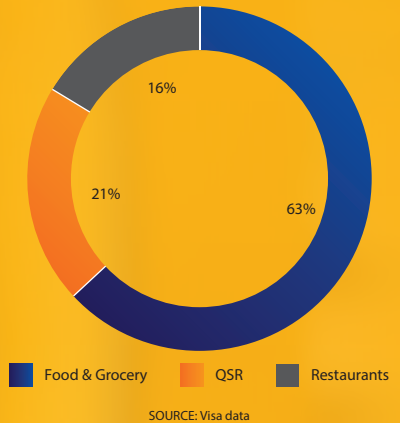
Food retail growth outstrips non-food in 2019



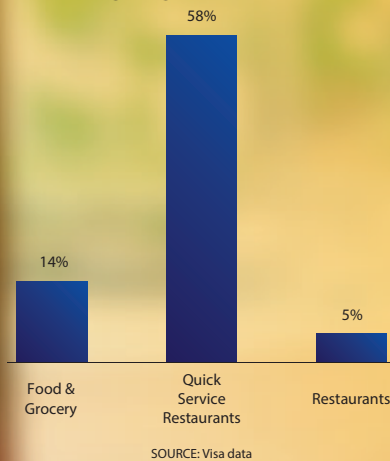
Growth in food retail in 2019 was three times the growth in non-food retail. But non-food retail continues to dominate the MENA retail market share.



Supermarket shopping is the largest category in 2019, driven by growing demand for health foods, cereals and processed foods



Fast food and delivery witness largest growth in 2019







## Luxury retail is still sparkling

\$15.1B

The MENA luxury goods market reached \$11.5 billion in 2017 and is forecast to grow at a CAGR of 5.6% over the next five years to reach \$15.1 billion by 2022.

41.3%

The UAE was the largest luxury market in the region with a share of 41.3% in 2017 and is expected to retain its top position through 2022.

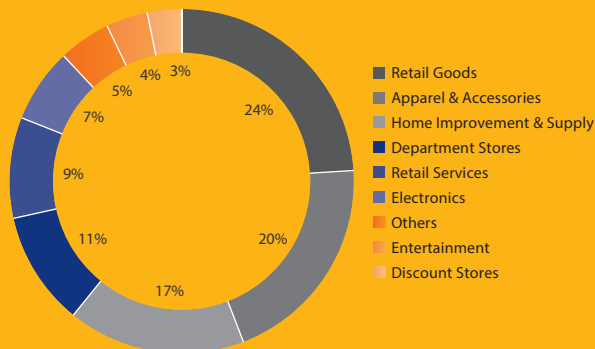
SOURCE: GlobalData

7.0%

Saudi Arabia, which is forecast to grow at a CAGR of 7.0% between 2017 and 2022, will be the fastest-growing luxury market in the region.

- Food is becoming an intrinsic part of people's experience in malls and good restaurants are a reason to pick one mall over another. Malls as well as individual stores are being driven to offer a complete shopping experience, not just a place to shop and escape the heat.
- A sharp surge in digital adoption has revolutionized the online food delivery service sector in the GCC. Nearly 87% of food operators in the GCC are listed on food delivery apps and 60% of consumers use apps to order food.

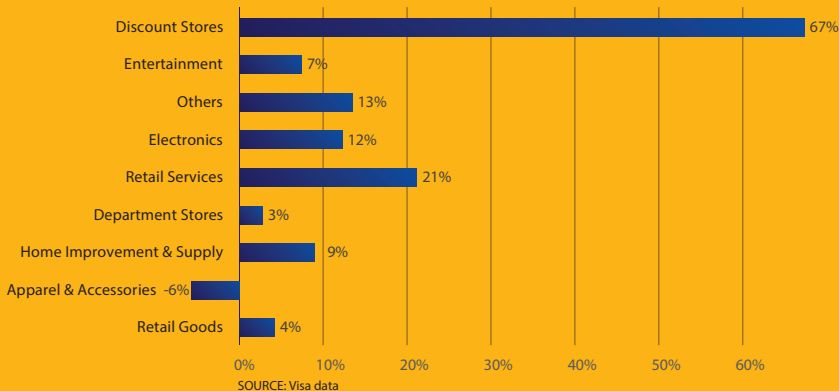
Share of categories in the overall MENA retail sector in 2019



SOURCE: Visa data

Fashion, which is the second largest contributor to retail, has significantly dropped volumes.

Growth in category sales in 2019



SOURCE: Visa data

Discount stores, though a small segment, have seen rapid growth.

- The internet plays a major role during the discovery process for both online and in-store buyers, with 48% of UAE and Saudi consumers getting their shopping ideas and inspirations online. This is nearly double that of the United Kingdom.
- With an estimated eCommerce market size of nearly \$200 million in the GCC and Egypt, nearly 60% of the region's grocery shoppers have never bought from this category online.
- The average basket size of online grocery shoppers in the region is \$144, significantly higher than in-store purchases at \$68.

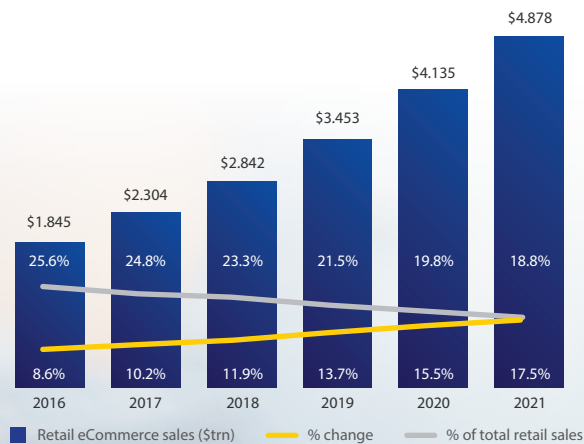
SOURCE: Bain and Company, 2019; Visa / UAE eCommerce Landscape, June 2019

**VISA**

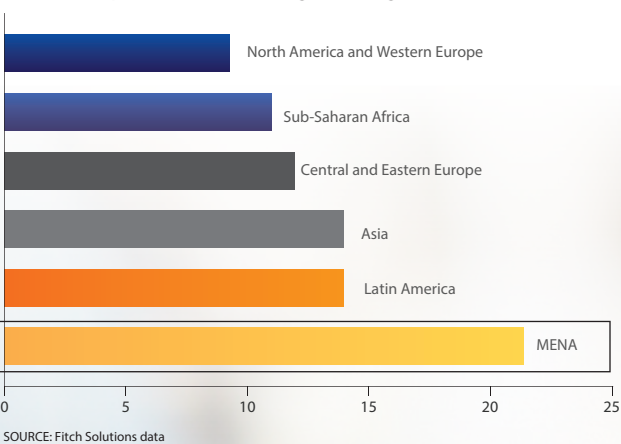
CHANNEL INSIGHT

# eCommerce drives acceptance

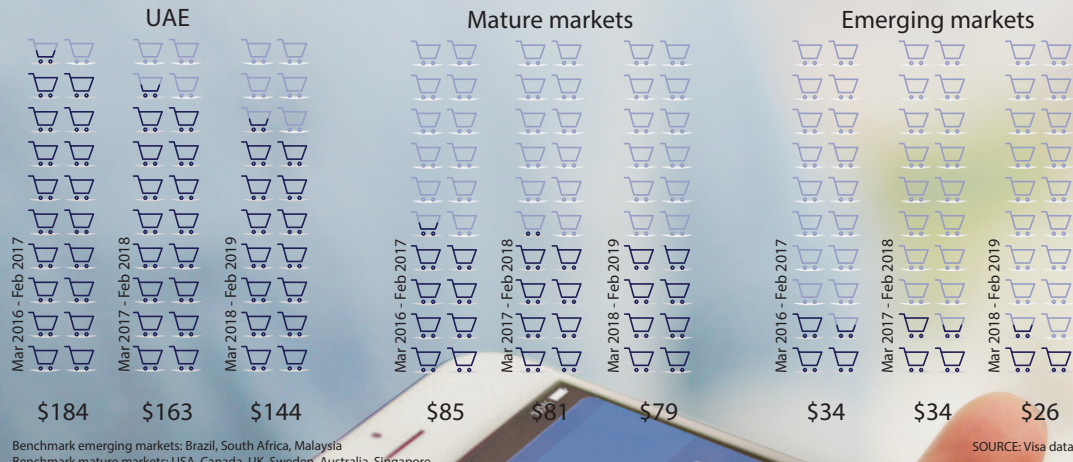
Retail eCommerce sales worldwide, 2016-2021



MENA outperforms other regions in growth

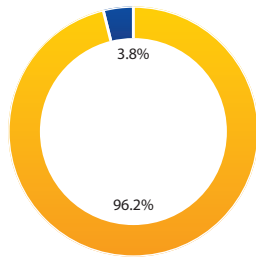


UAE consumers lead developing and mature benchmarks in average spend per transaction



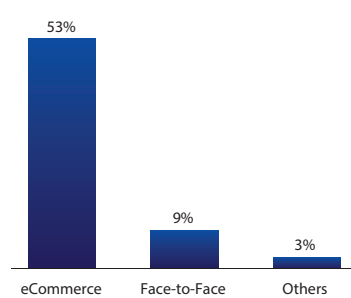


Physical retail dominates share of MENA market in 2019



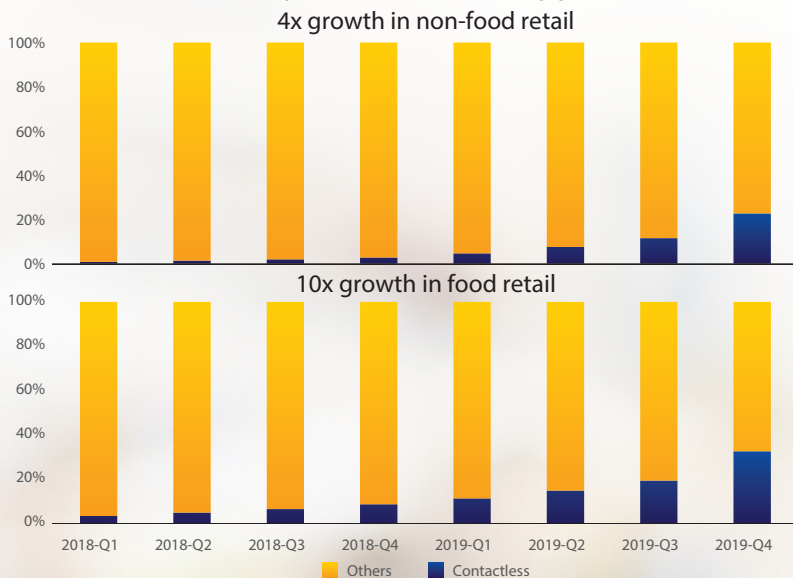
SOURCE: Visa data

But eCommerce posts growth almost 7 times higher



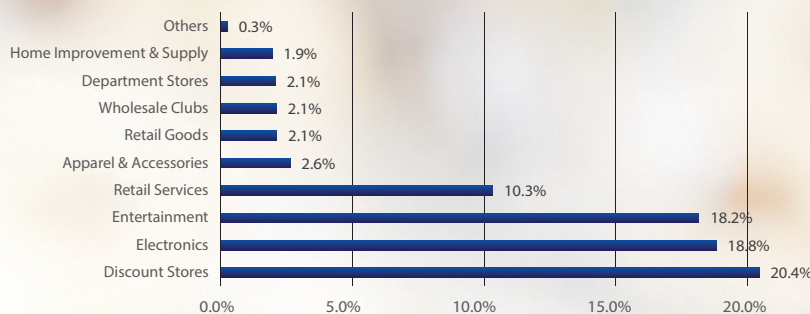
SOURCE: Visa data

Contactless payments have seen strong growth in 2019



SOURCE: Visa data

Percentage of eCommerce by sector in 2019



SOURCE: Visa data

- The GCC region has surged ahead of even developed markets when it comes to internet, smartphone and social media penetration. UAE and Saudi Arabia have 91% and 73% internet penetration; 66% and 62% smartphone penetration; and 99% and 75% social media penetration, respectively.

- The region's consumers are digitally savvy and seek a broader range of products and new shopping experiences online. Established retailers are making eCommerce a part of their strategies while pure-play retailers are looking at new markets and product categories.

- While consumers relish their ability to click-and-shop from the comfort of their couches, home delivery of products is often hampered and delayed by the lack of area codes for addresses in most of the region.

- Online and mobile payment options are also not always available in the MENA region and most countries still have cash-on-delivery as the primary mode of payment, which adds to the operating cost for eCommerce companies.

- Morocco now has over 26 million internet service subscribers and plans to bring 10,740 villages under 2G, 3G and 4G coverage.

SOURCE: Global Media Insight, 2019; Visa / UAE eCommerce Landscape, June 2019



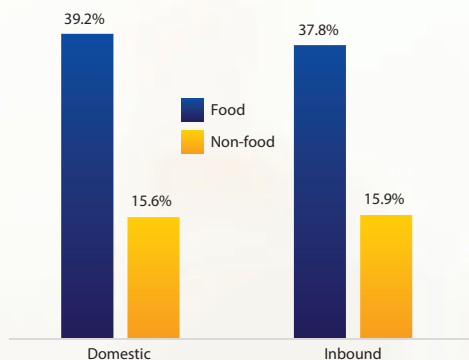
## TRAVEL TALES

# The power of inbound spending

Growth in inbound retail in 2019



Growth in tourism spending kept pace with growth in domestic spending in 2019



13.3%

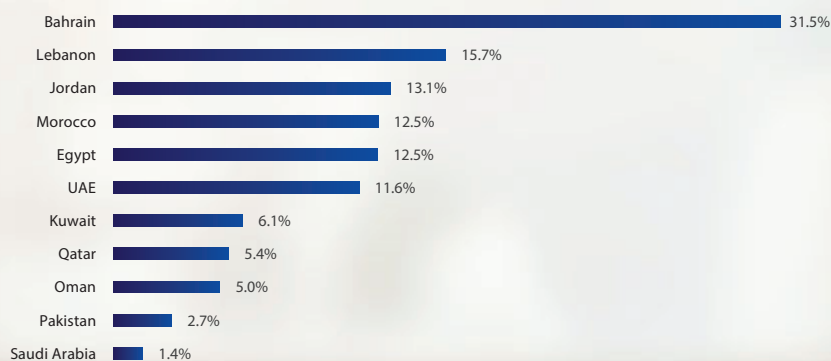
MENA's annual wellness tourism market is growing 13.3%, its spa industry 15.4%, and its thermal springs sector 30.4%



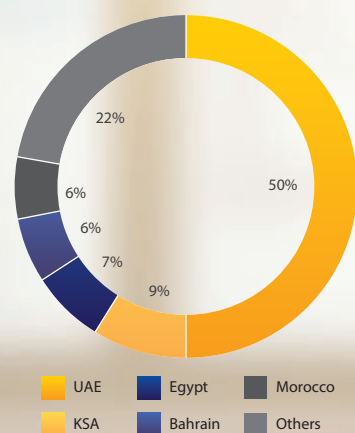
SOURCE: Global Wellness Institute

Inbound spending growth kept pace with domestic spend, with tourists shelling out increasing amounts on food retail.

Share of inbound retail in each country's overall volumes



Country share of inbound retail spending volumes



SOURCE: Visa data

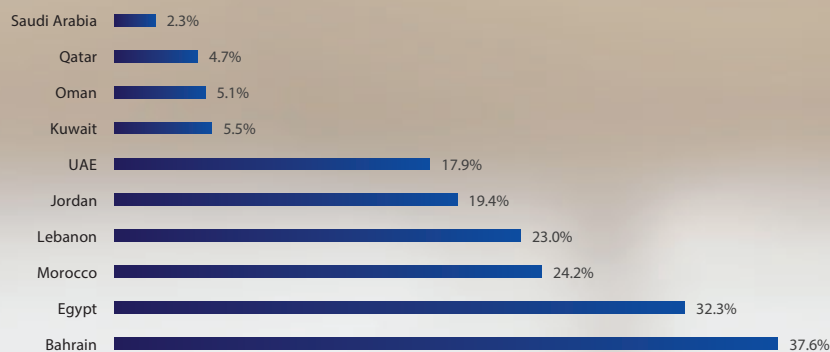
178%

Electronics is the highest growth category among inbound retail spend in Egypt, registering an increase of 178% in 2019.



SOURCE: Visa data

Country-wise growth in inbound retail spending in 2019



SOURCE: Visa data

- The World Expo 2020 in Dubai and FIFA World Cup 2022 in Qatar will headline the multiple mega events across GCC through 2023 that are expected to boost inbound tourism.
- The World Expo 2020 Dubai Executive Body, which oversees the event, estimates that it will add AED 89 billion overall to the UAE economy and create more than a quarter million jobs.
- Saudi Arabia expects tourist numbers to rise from 40 million to 100 million. Tourism-related jobs are set to rise from 3% to 10% of GDP by the year 2030.
- Under Saudi Arabia's new tourist visa program, a part of its Vision 2030, the kingdom has started issuing one-year multiple-entry visas, allowing tourists to spend up to 90 days in the country.
- After a slump following Arab Spring, tourists are now flocking back to Egypt thanks to its current stability. The number of tourists expected to visit Egypt in 2020 is set to top 15 million.
- Geo-political tensions have led to many countries issuing travel safety warnings for some countries in the region. Lebanon and Jordan are particularly affected as both are key destinations for international and GCC travelers.

SOURCE: EY, 2019; World Tourism Organization, 2019



**VISA**

# ABOUT VISA CONSULTING & ANALYTICS

We are a global team of payments consultants, data scientists and economists across six continents.

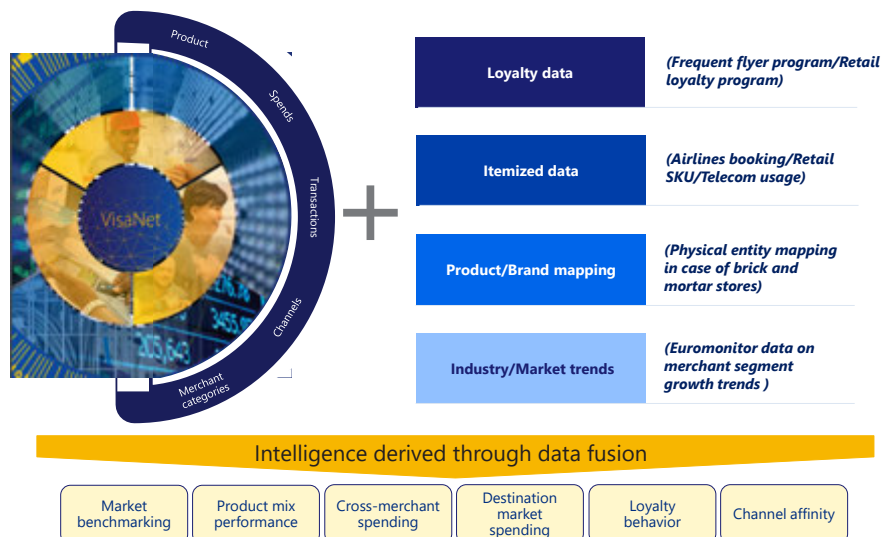
The combination of our deep payments consulting expertise, our economic intelligence and our breadth of data allows us to identify actionable insights and recommendations that drive better business decisions.

- Our consultants are experts in strategy, product, portfolio management, risk, digital and more with decades of experience in the payments industry.
- Our data scientists are experts in statistics, advanced analytics and machine learning with exclusive access to insights from VisaNet, the largest digital payments network in the world.
- Our economists understand economic conditions impacting consumer spending and provide unique and timely insights into global spending trends.

## Key business questions that can be answered



## Fusing VisaNet data with client and external market data



For more information, please contact your Visa Account Executive or email Visa Consulting & Analytics at [VCA@Visa.com](mailto:VCA@Visa.com). You can visit us at [Visa.com](https://www.visa.com) or on [YouTube](https://www.youtube.com/user/Visa).



**VISA** everywhere  
you want to be