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MEDIA BRIEFING

Companies can benefit from Covid changes

With less than a month to Expo 2020 and brightening economic conditions, UAE companies can benefit from the strategic business measures introduced in response to the pandemic, says Mashreq Bank

One of the region's biggest business lenders has called for companies in the UAE to continue with strategic measures introduced during the Covid-19 pandemic, even once the crisis has passed.

In its latest market briefing report, Dubai-based Mashreq Bank praises the resilience shown by UAE companies throughout the pandemic and says that the steps taken to mitigate the impact of Covid-19 have made businesses more competitive in the long term.

AT A GLANCE

- The UAE economy is significantly strengthening in the second half of 2021
- There is a growing need to plan and enable sustainable economic recovery
- Resilience shown by mid-sized companies provides a strong foundation for a new era for businesses in the UAE
- Experience in crisis management, remote working flexibility, improved work-life balance, higher cybersecurity, and more diversified supply chains have created a new "breed" of post-covid companies

"These measures should be retained even beyond the pandemic," says Mashreq Bank executive vice president and head of services and manufacturing Hind Salim Eisa.

Since March 2020, companies have made radical changes to their processes and strategies in response to the unprecedented disruption caused by the pandemic.

Measures include upgrading IT infrastructure and cybersecurity to enable remote working, introducing on-site accommodation for companies in the manufacturing sector to reduce risk of infection, and the diversification of their suppliers of raw materials to tackle supply chain bottlenecks.

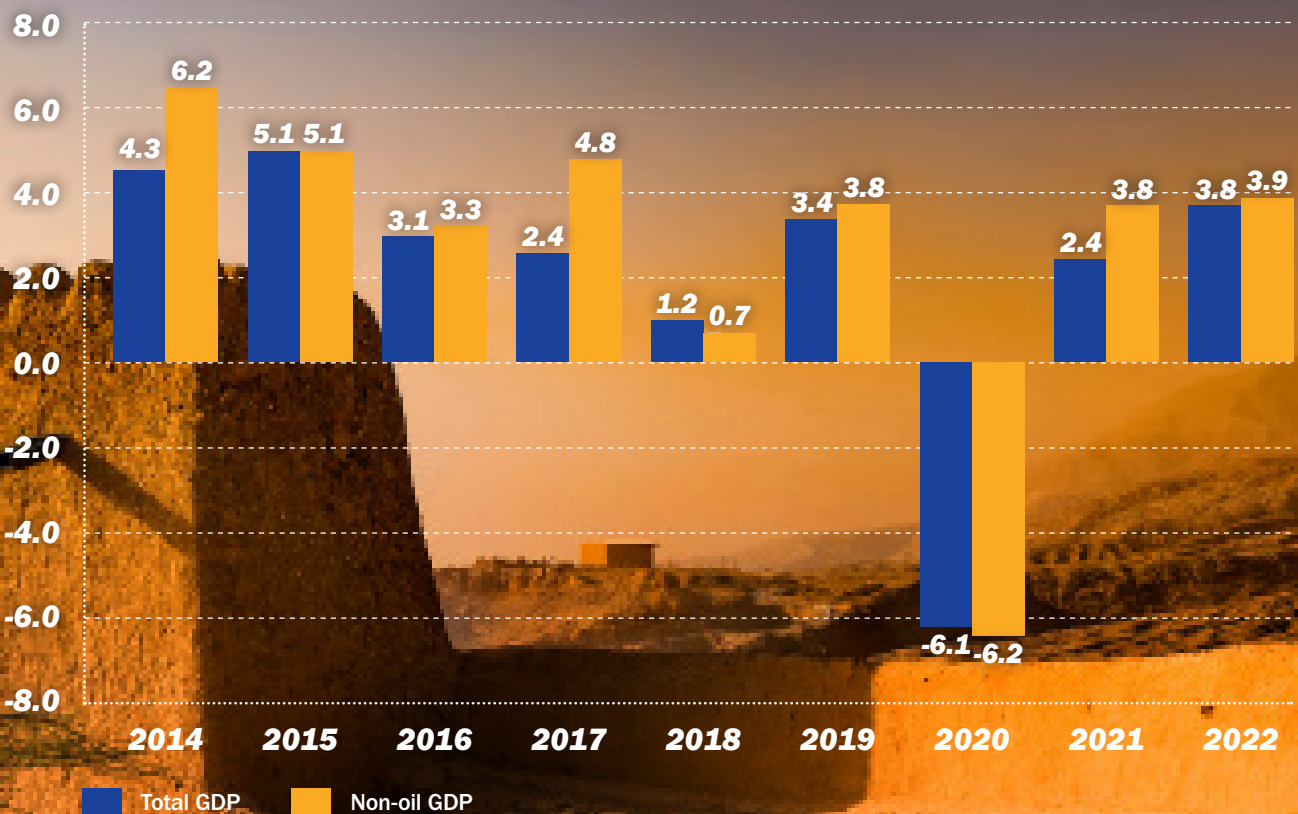
The pandemic has also increased focus on sustainable economic recovery, focusing on areas such as data analytics, operational efficiency, clean energy and upskilling workers to make the most of the positive turn in the market.

"Certainly, many companies did not have a robust IT infrastructure in place before the pandemic," says Hind Eisa. "Today, digitalisation has streamlined and simplified operations across the board."

Businesses reassess strategies

Hind Eisa says that the resilience shown by mid-sized companies provides a strong foundation for a new era for businesses in the UAE.

UAE total and non-oil real GDP growth rates and projections



"Mid-sized firms in the UAE have faced some of the toughest challenges over the past 18 months," she says. "As the backbone of the UAE economy, their stability is important to the nation's stability. And in many ways, Covid-19 has made them better equipped for crisis management."

And while changes introduced since the start of the pandemic were focused on ensuring business continuity during the crisis, they have put many businesses in a strong position to capitalise on the post-Covid recovery.

"Greater experience in crisis management, higher flexibility in terms of remote working, improved work-life balance, higher cybersecurity, and more diversified supply chains have created a new "breed" of post-covid companies," says Hind Eisa.

"In the service and manufacturing sectors in particular, firms adopted measures to ensure business continuity," says Hind Eisa. "They also executed effective crisis management to ensure work never stopped."

"The lessons learned from the challenges of the past 18 months will pave the way forward," she says. "As banks, we understand the issues faced by our customers. And we are glad that we were enabled by our regulators to support our clients in times of duress."

Economic indicators

The UAE economy strengthened significantly in the second half of 2021, with a marked increase in deals signed across various sectors, including facility management and logistics.

In July 2021, Dubai-owned global port operator DP World announced the acquisition of Imperial Logistics and Syncreon to further strengthen its growing market presence. This came amid DP World's reporting of strong performance in the first six months of 2021 compared to the same period of last year.

"The turnaround in key sectors that form a part of the UAE's economy has come at an important time," says Hind Eisa. "This is a good sign for everyone, and is indicative of better business prospects in the second half of 2021."

National strategies such as 'Operation 300bn' are encouraging sustainable economic growth in the UAE's industrial sector.

The industrial development strategy is geared at enhancing the role of industries in the UAE's national economy and aims to raise its contribution to the GDP from its current value of AED133bn to AED300bn by 2031.

Expo opportunities

Tourism and travel, an important segment of the UAE economy, remains subdued however.

Global travel restrictions and continuing



lockdowns in certain parts of the world have made it difficult to accurately forecast the recovery of this sector. The upcoming launch of Expo 2020 will be crucial in the recovery of this sector.

"The impact of Expo 2020 will definitely be felt more by certain sectors," says Hind Eisa. "These include travel, tourism, hospitality, and real estate to an extent. But I think the confidence that the event will bring to the UAE market will be a boost for all of us."

With construction at Dubai's Expo 2020 site now complete, the focus of Expo contracts is shifting to operations and maintenance.

In July 2021, UAE-based facilities management (FM) firm Farnek secured contracts worth AED16.7m (\$4.55m) with eight country pavilions at the expo site. And in September 2021, Union Properties subsidiary ServeU won AED14m (\$3.8m) worth of FM contracts for 14 pavilions.

Expo is also streamlining the way it coordinates with its suppliers.

In June 2021, it announced that it was working

with SAP Ariba, a subsidiary of American software firm SAP, to establish a unified digital procurement and payment platform for its 30,000+ suppliers from 179 countries.

This strategy is also setting benchmarks for other global events and could pave the way for a more reliable and efficient client-supplier relationships in the UAE.

On the road to recovery

Despite the uncertainty created by the pandemic, outlook for recovery is increasingly optimistic in the second half of 2021.

August 2021 saw continued improvement in economic conditions across the UAE's non-oil private sector, according to data from global market analytics firm IHS Markit.

The seasonally adjusted IHS Markit UAE Purchasing Managers' Index (PMI), which covers manufacturing and services, rose from 52.2 in June to 54.0 in July and registered 53.8 in August, pointing to stability in business conditions.

A sharp rise in new orders drove increasing pressure on business capacity and a marked expansion in output, while employment rose at the

fastest rate since the beginning of 2018.

However, supply chain pressures and rising demand have led to a backlog of work and contributed to a quicker rise in input costs. Many firms reported that output had not yet recovered to pre-Covid levels.

Supply chain conditions are starting to improve. Overall delivery times have shortened for the first time since January 2021, although the rate of improvement was only slight.

Hind Eisa notes that Mashreq Bank has identified growth sectors going forward and is keen to support and grow with these companies.

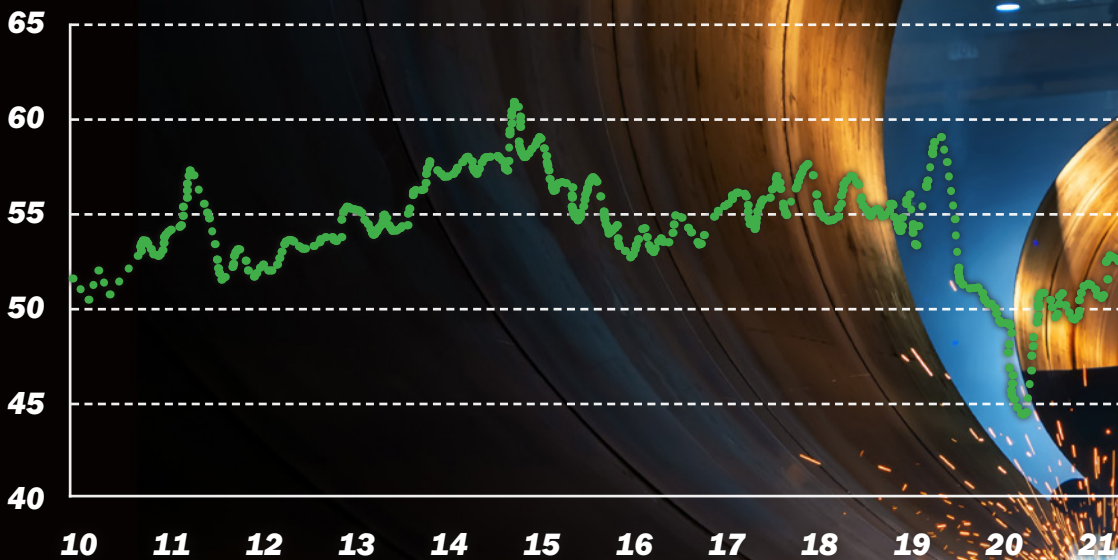
"At the same time, we are keeping a close eye on the affected sectors and are aiming to support their businesses through various ways until they resume growth," she adds.

"We are also focusing on upgrading our online platforms to cater to customers' needs to conduct banking remotely and cut costs for these companies (for example manual transactions are more expensive than online ones).

"As has been our approach to so far, we remain flexible with the changing needs of the market as well as those of our clients," says Hind Eisa.

UAE PMI

sa, >50 = improvement since previous month



Source: IHS Markit

This briefing is brought to you by the MEED-Mashreq Services & Manufacturing Partnership

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