MIDDLE EAST ON THE RISE
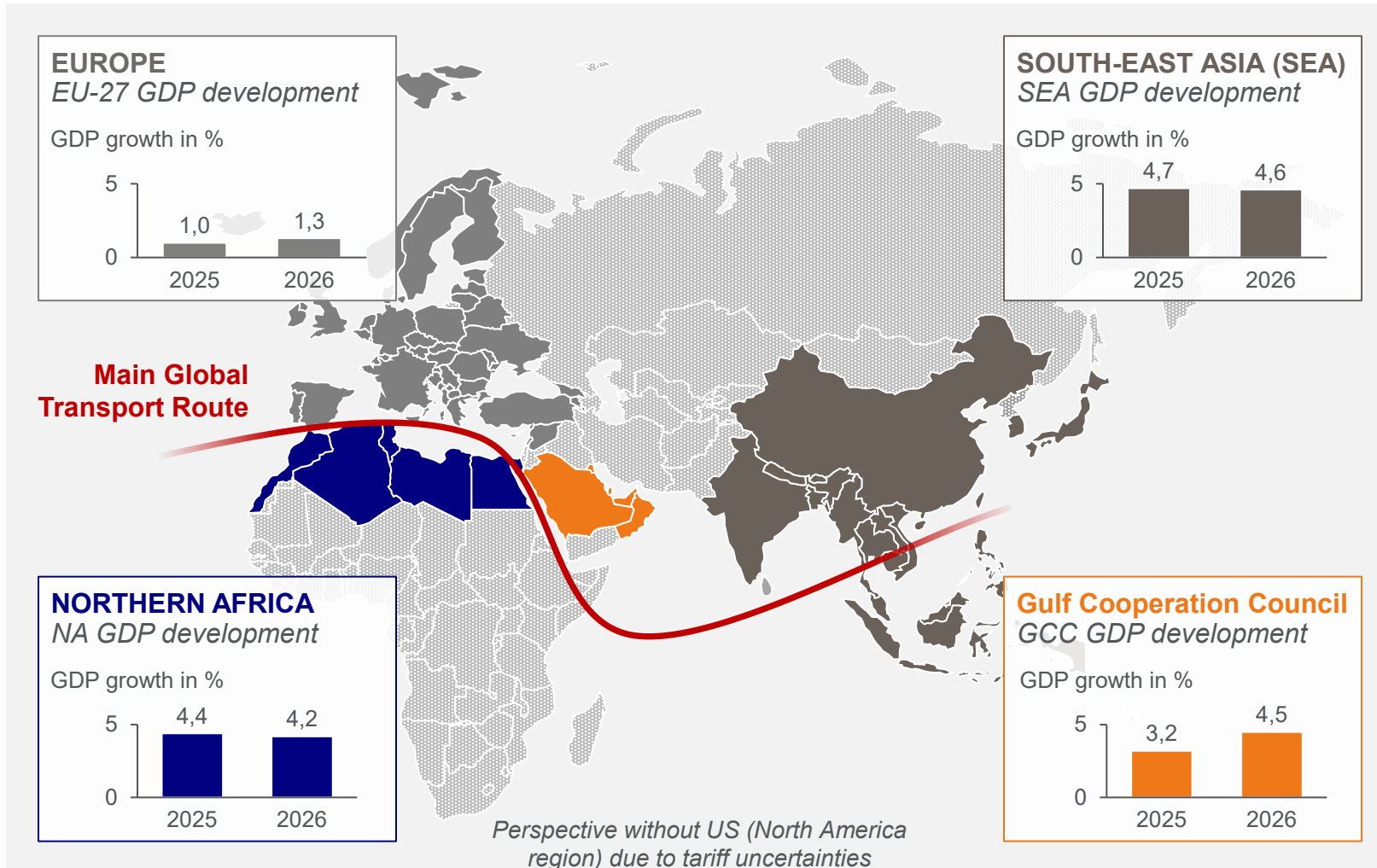
How European companies can benefit from the region's economic diversification and expansion

DIGITAL TRANSFORMATION & MANUFACTURING

INSIGHT

On a larger scale, North Africa and the Gulf Cooperation Council (Middle East) are currently showing rising GDP expectations

EUROPE
EU-27 GDP development

GDP growth in %

2025	2026
1,0	1,3

SOUTH-EAST ASIA (SEA)
SEA GDP development

GDP growth in %

2025	2026
4,7	4,6

Main Global Transport Route

NORTHERN AFRICA
NA GDP development

GDP growth in %

2025	2026
4,4	4,2

Gulf Cooperation Council
GCC GDP development

GDP growth in %

2025	2026
3,2	4,5

Perspective without US (North America region) due to tariff uncertainties

Main characteristics & advantages of the regions:

- The **Gulf Cooperation Council (GCC)** region and Northern Africa show **strong GDP development potential**
- **GCC as a pivotal point for logistics** streams in the region
- **Northern Africa & GCC** with a total population of **~290M people** (compared to ~450M in the EU-27)
- **Population is relatively young and growing**; forecasted to stay younger than the global average in 2050
- **Massive subsidies by local governments** create a business-friendly environment

Raising attractiveness for foreign companies
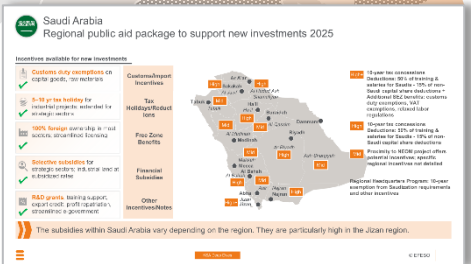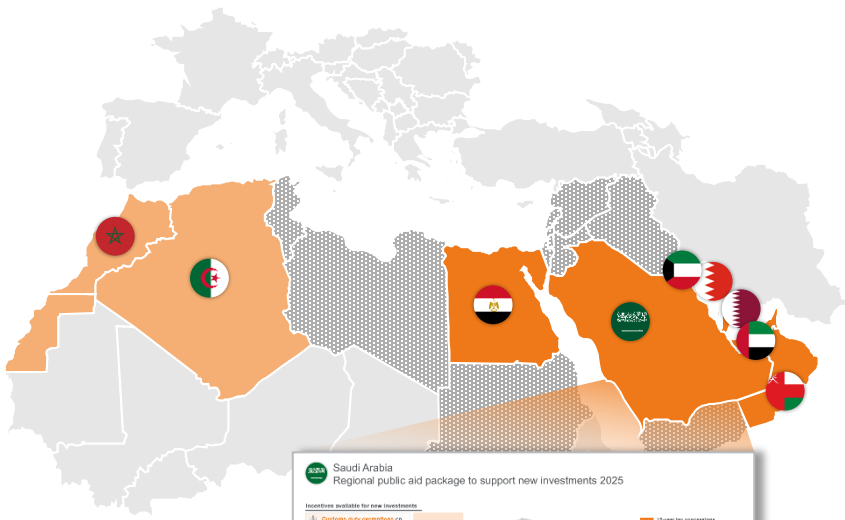*(as export and production market)*

Sources: EU 27 - European Central Bank, NA - UNECA & African Development Bank, GCC – World Bank, SEA - Asian Development Bank

Due to government-driven agendas, the Middle East is striving for high economic growth rates
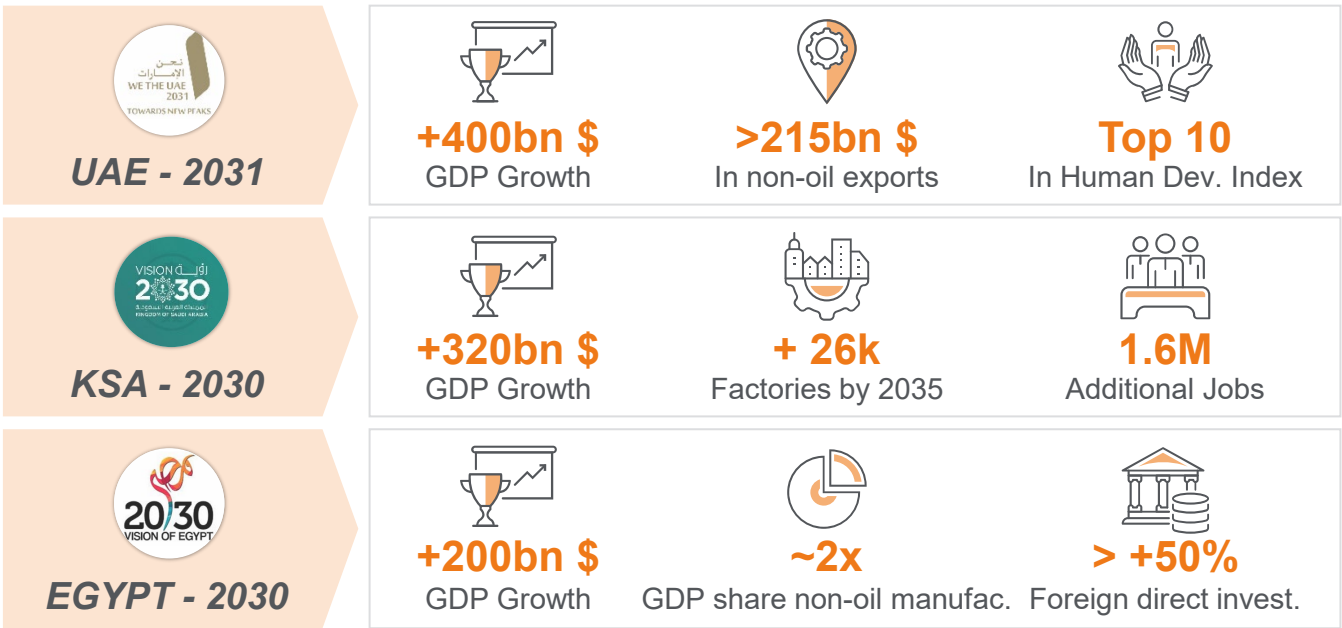
Region Outlook – Middle East & North Africa Region

Countries: KSA, Egypt, Morocco, Algeria, UAE, Oman, Kuwait, Qatar, Bahrain **Extended region population : ~500M**

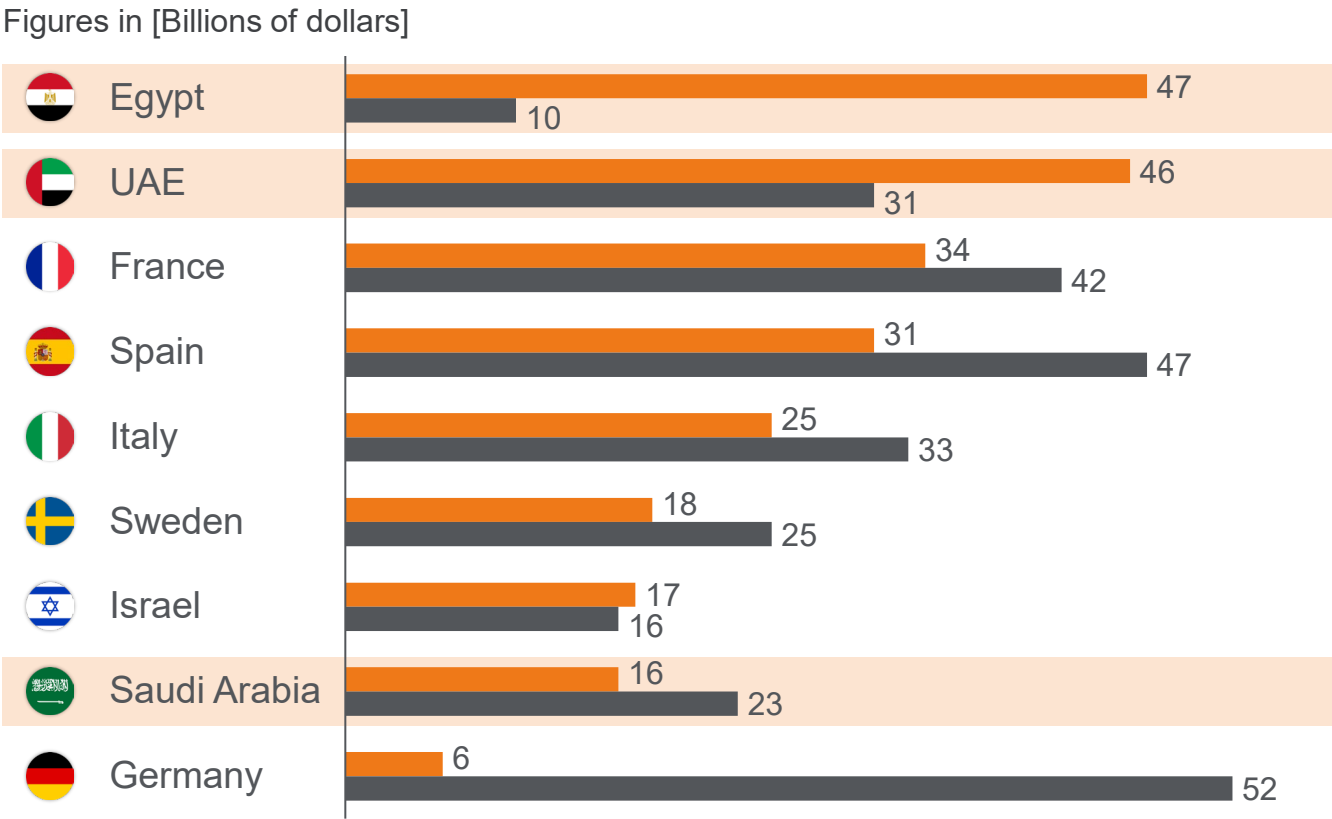## Government-driven agenda targets (selected examples)

UAE - 2031	**+400bn $** GDP Growth	**>215bn $** In non-oil exports	**Top 10** In Human Dev. Index
KSA - 2030	**+320bn $** GDP Growth	**+ 26k** Factories by 2035	**1.6M** Additional Jobs
EGYPT - 2030	**+200bn $** GDP Growth	**~2x** GDP share non-oil manufac.	**> +50%** Foreign direct invest.

Saudi Arabia
Regional public aid package to support new investments 2025

... **▶ Further information** on other countries or **detailed incentives per region** available

Sources: Government information of country-specific agendas   Excluded due to instability reasons

The region is already showing its strength in foreign direct investments and competitiveness rankings

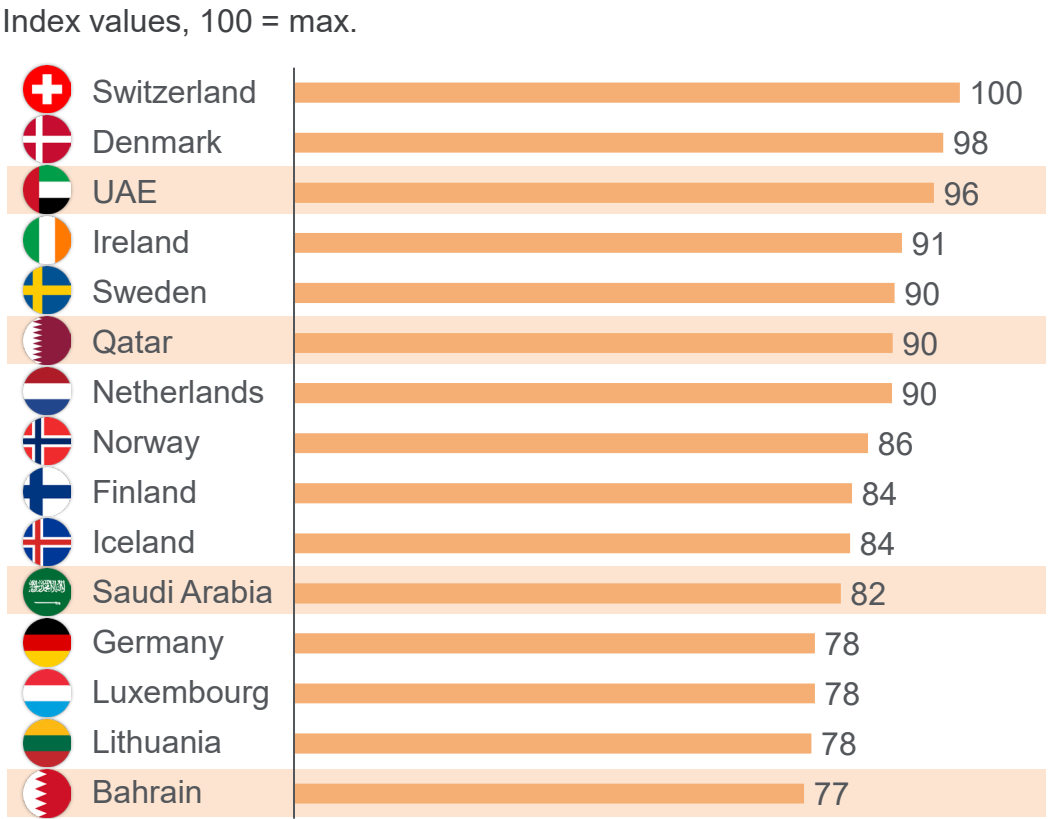## Foreign direct investment (FDI) inflows

Top host economies: Europe - Middle East - Africa (excl. Luxembourg due Special Purpose Entities)

Figures in [Billions of dollars]

Legend: ■ 2024 ■ 2023

Country	2024	2023
Egypt	47	10
UAE	46	31
France	34	42
Spain	31	47
Italy	25	33
Sweden	18	25
Israel	17	16
Saudi Arabia	16	23
Germany	6	52

In worldwide comparison:
Egypt, UAE and Saudi Arabia rank 9th, 10th and 20th respectively.

World competitiveness ranking

Top economies: Europe - Middle East - Africa

Index values, 100 = max.

Legend: ■ 2025

Country	2025
Switzerland	100
Denmark	98
UAE	96
Ireland	91
Sweden	90
Qatar	90
Netherlands	90
Norway	86
Finland	84
Iceland	84
Saudi Arabia	82
Germany	78
Luxembourg	78
Lithuania	78
Bahrain	77

In worldwide comparison:
UAE, Qatar, Saudi Arabia and Bahrain rank 5th, 9th, 17th and 22nd respectively

Sources: UNCTAD World Investment Report 25 & IMD World Competitiveness Ranking 25

Saudi Arabia and the United Arab Emirates are advocating for a digital transformation to boost production companies, while Egypt provides a large workforce

Benefits for European companies by country

General estimation of benefits – specific regions and industries can deviate

Central market location
Based on positioning to regional key markets and transport routes

Availability of workforce
Based on population and unemployment rate

Incentive programs
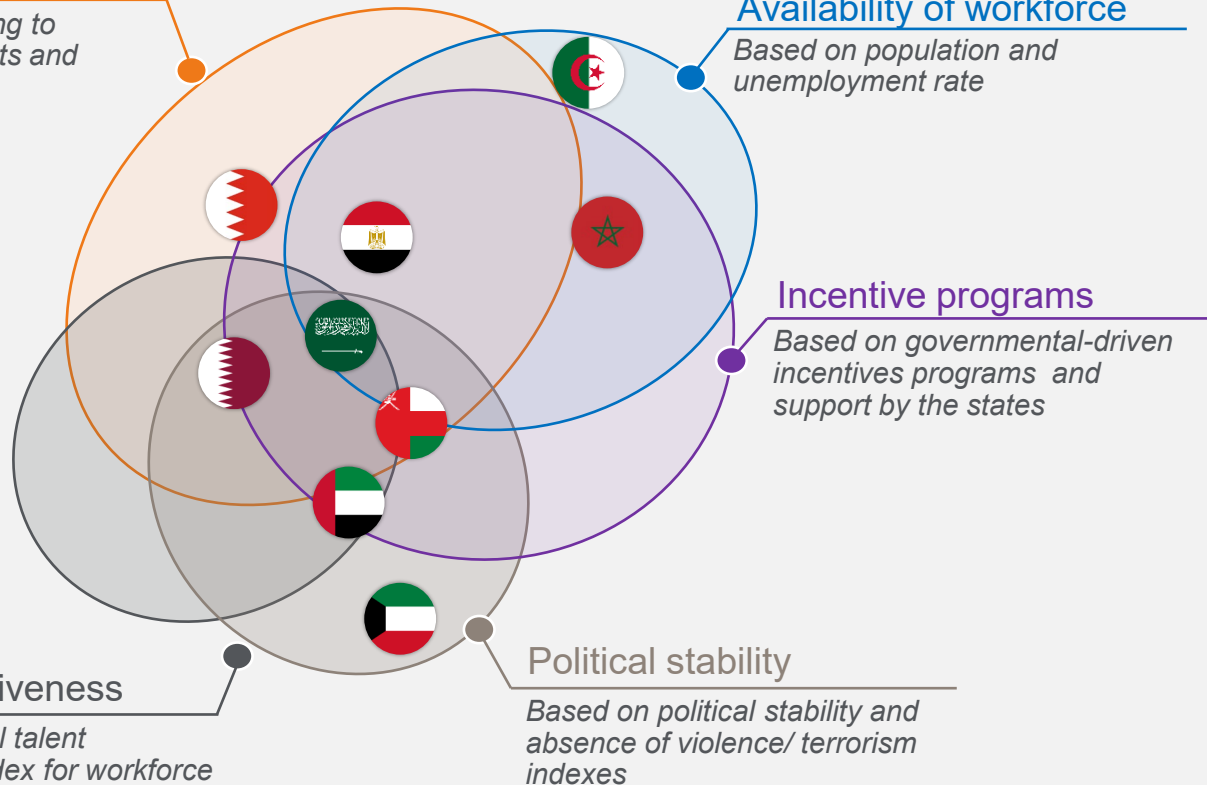*Based on governmental-driven incentives programs and support by the states*

Political stability
Based on political stability and absence of violence/ terrorism indexes

Talent competitiveness
Based on the global talent competitiveness index for workforce

Positioning in comparison to each other – no comparison to other countries

General information

- **Egypt's** key strength is the strategic location bridging Africa, the Middle East, and Europe, with a high population and workforce available; one main weakness is political instability.

- **Saudi Arabia** and the **United Arab Emirates** offer strong incentive programs and growing talent competitiveness driven by governmental programs (e.g., Vision 2030). Their main weakness is limited workforce availability.

- **Kuwait** and **Oman** share strengths in political stability. Oman offers more proactive incentive programs, while Kuwait lags in this area. Both face significant challenges in talent competitiveness and workforce availability.

- **Qatar** excels in incentive programs and infrastructure, while **Bahrain** leads in regulatory openness and ease of doing business. Both face limitations in workforce size and high-skilled talent availability and offer political stability.

- **Algeria** and **Morocco** offer an extensive workforce, lacking in the other dimensions. Morocco is starting to attract more and more foreign investors for production sites.

Sources: Workforce availability – World Bank data on unemployment rates & population | Political stability – World Bank data on political stability index | Talent competitiveness – INSEAD Talent Competitiveness Index | Location & incentives – Governmental information & EFESO knowledge base
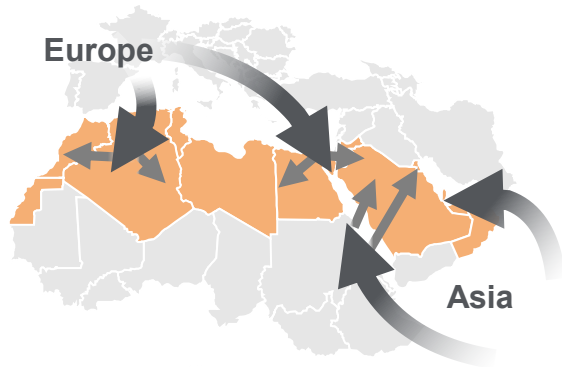
The selection of the right footprint integration approach is critical for market entry and needs to be aligned with the specific business requirements and characteristics

Non-exhaustive

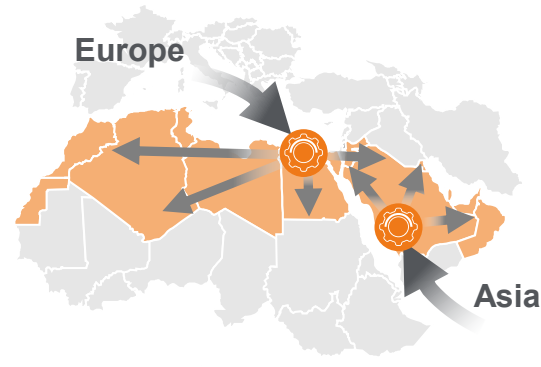*Operations footprint integration options for MENA or GCC Market*

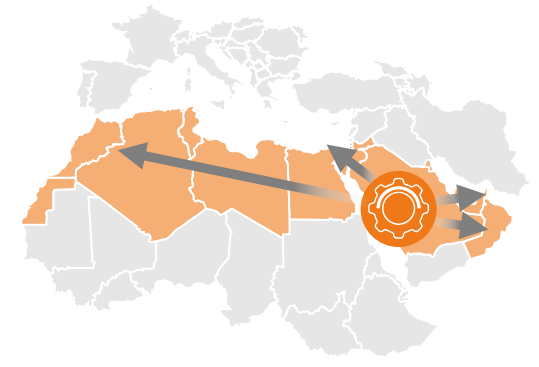| Delivery & distribution	Central hub & local spoke(s)	Contract / license production	Local production / joint venture
Fulfilling demand via existing plants and integration of market via delivery only	*Key production steps centrally, final assembly at the local spokes*	*Partners producing brand products and fulfilling local market demands*	*Local presence with own production (potential JV with local player)*

Management of distribution via partners

+ **Economies of scale**	**+** **Economies of scale** (partially)	**+** **Low CapEx demand** with flexibility	**+** **Full market access**
+ **Low CapEx** demand	**+** Med. CapEx, **potential incentives**	**+** **Fast localization** paired with fulfillment of local sourcing requirements	**+** Low import duties, **max. incentives**
+ Limited complexity and **fast access**	**+** Small **local brand presence**		**+** **Optimized brand positioning**

- **Exposure to tariffs** / restrictions	**-** **Partially import duties** & tariffs possible	**-** Higher **quality / intellectual property risks** (reliance on partners)	**-** **High CapEx,** planning & set-up time
- High transport **lead times & costs**	**-** **High supply chain complexity** and long lead times (incl. distribution)	**-** **Reduced margin** through profit sharing	**-** **Long-term commitment** and local market risk exposure
- No **labor cost efficiency** (vs. Europe)			

With our ONE-STOP-SHOP capabilities, we can help you to define the entry strategy or support you with setting up state-of-the-art future factories

Guiding question as task definition

How should I connect a new market to my **operations footprint setup**?
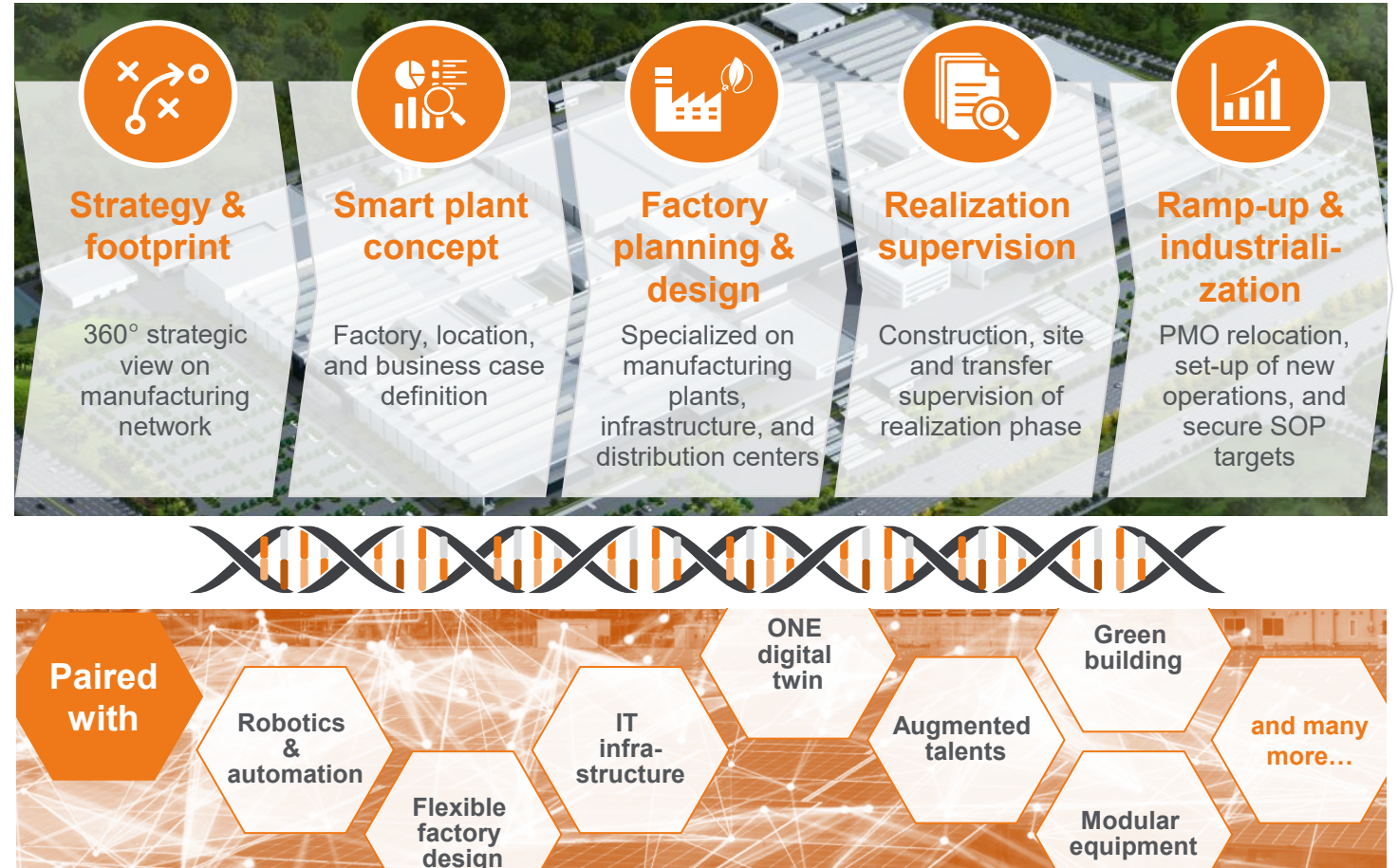
Should I establish a local site, and how can I **find the most attractive locations**?

What is the **right dimensioning for a plant**, and how can the **digital backbone** of the site be designed?

How is the **construction secured** and managed in terms of **time, budget, and quality?**

Which **digital use cases and technologies** should I integrate or plan in my factory lifecycle?

Our approach as an answer

Strategy & footprint
360° strategic view on manufacturing network

Smart plant concept
Factory, location, and business case definition

Factory planning & design
Specialized on manufacturing plants, infrastructure, and distribution centers

Realization supervision
Construction, site and transfer supervision of realization phase

Ramp-up & industriali-zation
PMO relocation, set-up of new operations, and secure SOP targets

Paired with
- Robotics & automation
- Flexible factory design
- IT infra-structure
- ONE digital twin
- Augmented talents
- Green building
- Modular equipment
- and many more…

PMO = Project Management Office; SOP = Start of Production

To do this together, we provide access to our world-class toolbox, combining end-to-end delivery, from strategy to ramp-up, with leading Future Factory expertise

EFESO's 'one-stop-shop' capabilities and service offerings* for FACTORY REALIZATION

I. STRATEGY & FOOTPRINT
- 360° strategic view
- Factory role / site view
- Supply chain view
- Network design
- Business case

II. PLANT CONCEPT
- Factory concept
- Location search & site selec.
- Incentives & subsidies
- Building design & permits
- € CAPEX / OPEX

III. FACTORY DESIGN
- Production
- Material flow & warehouse
- Digitalization & automation
- Work concept & offices
- Green building & infrastruc.

IV. REALIZATION SUPERVISION
- Project preparation & design phase
- Execution preparation
- Site supervision & realization monitoring
- Management of general contractor(s)
- Permanent check & control

V. INDUSTRIALIZATION & RAMP-UP
- Organization blueprint
- Executive research
- Training & qualification
- Relocation & ramp-up mgmt.
- OEE stabilization to target value

Project Management and Project Management Office

Our vision and guiding principles for the FUTURE FACTORY

FUTURE FACTORY

- Smart robotics & automation
- Advanced logistics
- Modular equipment & reconfigurable processes
- Flexible factory design
- Integration in value networks
- Green building
- Sustainability inside
- Data-driven factory management
- ONE digital twin
- Product optimization & development
- IT infrastructure
- Application landscape
- Holistic cybersecurity
- Augmented talents

*We support our customers holistically or in every phase in which our customer currently finds himself

OEE = Overall Equipment Effectiveness

Why EFESO? Trusted by industry leaders, ready to accelerate your growth in the Middle East & Northern Africa

01 — 1ST OPERATIONS PURE-PLAYER

- EFESO is the world's leading international 'pure play' consulting firm
- We specialize in Industrial Operations and Performance Improvement
- Multiple awards confirm our outstanding position

02 — INDUSTRY 4.0 THOUGHT LEADER

- EFESO is a global I4.0 thought leader
- Starting in 2013, we deliver fresh-eyed views based on our leading INDUSTRIE 4.0 AWARD
- The award is the most important benchmark for digitalization and automation across industries

03 — INNOVATOR IN FUTURE FACTORY

- EFESO offers a unique one-stop-shop capability, bringing together leading insights and implementation capability – from idea to start of production
- The "Factory of the Future" is connected, adaptable, efficient, and scalable

04 — LEADING-EDGE CONTROL TOWER

- EFESO's "Solvace" is the best-in-class platform for large Smart Factory transformation programs and provides an advanced OpEx 4.0 Control Tower solution
- It digitizes factory programs, connects people at all levels, and integrates functions both locally and globally

05 — BEST-IN CLASS UPSKILLING

- Implementation of academy structures and physical learning factories
- Customized qualification programs with high practical orientation
- Innovative learning solutions with AI videos, e-learning, AR/VR, and Metaverse technology

EFESO is the world's leading and award winning international 'pure play' consulting firm, specializing in Industrial Operations and Performance Improvement

- A **fast-growing pure player,** operating **globally**

- Serving **Process Industries**, **Discrete Manufacturing**, **Infrastructure-based Services** and **Private Equity**

- Helping **transform, boost and/or build** operations

- Offering **Operations**, **Supply Chain**, **Idea-2-Value** support, fully integrating **Process, Human, DigiTech and Sustainability** dynamics

- Working **side-by-side** with clients to **accelerate** their progression towards completely **future-proofed operations**

+1,100
Consultants with hands-on experience in the industry

45
Nationalities in **>30 offices** worldwide

+1,000
Projects in **>75 countries** annually

+10
Average savings multiple of consulting fees

Our group-wide **awards**

… and there are many more.

We supported various clients and industries along their factory planning journey with our technical and market expertise

Selected project examples – from strategy to start of production

	Footprint roadmap	MENA market entry	Plant network design	Factory design ME
Project examples	Assessment of current footprint set-up and planning of strategic roadmap for Europe area for a global industrial goods provider	Definition of growth strategy for MENA region and site selection incl. footprint archetypes and strategic guidelines	Re-design of plant network incl. organizational restructuring for an international glass-ceramic producer	Design of concept for a plant with integration of logistics, operations, and building for electrical products in Middle East
Objective	Define and review potential **scenarios** and high-level **action plan**	Identify and define ideal **strategy to enter MENA region** market	**Match strategic goals with operational targets** incl. markets & clients	**Design and refine plant** layout with focus on production volume
Results	**Bus. case** evaluation for key scenario and **step-by-step roadmap**	**Country shortlist** and started **site selection** incl. site masterplan	Selected **to-be scenario,** tailored **organization** and new operations **set-up**	Refined factory design with **up to +15% production volume**