

Greetings from Washington,

As we bid farewell to a challenging 2022, there is little optimism about the global economy in the year ahead. 63 percent of chief economists from the public and private sectors in a recent survey expect a global recession in 2023, with 18 percent believing it is highly likely. The view from MENA is generally positive but mixed, given the region's diverse economies. While the large Gulf economies of Saudi Arabia and the United Arab Emirates enjoy robust economic fundamentals driven by elevated oil prices and successful economic diversification programs, Egypt's economic crisis is deepening with rising inflation and a depreciating currency. While the region is faring better than most, the Gulf between the haves and have-nots continues to grow, with several nations requiring help from the IMF or more prosperous neighboring states. Whether this help will materialize is another question. In a recent statement, Saudi Arabia made it clear that unconditional foreign aid is a thing of the past. And while geopolitical realities may force Saudi Arabia and others to offer assistance to ensure regional stability, requiring critical reforms will certainly be a condition and will inflict further short-term pain. The divergent economic paths of oil-rich states in the Gulf and the rest of the Middle East continue and look only to widen.

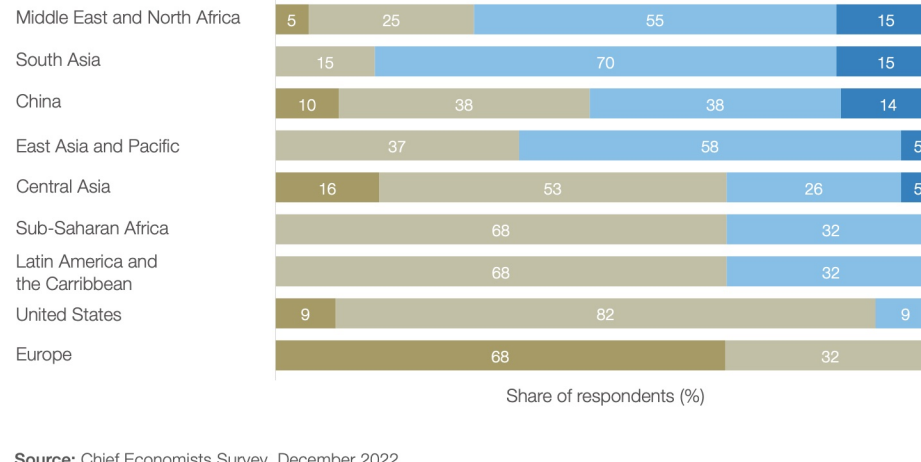
Unfortunately, the widening economic gap between Middle East nations will directly impact the development of entrepreneurial ecosystems still in their nascency. While Saudi Arabia and the United Arab Emirates continue to develop and grow, others will struggle to provide the required resources to maintain their momentum. In the past three years, startup funding has reached historic levels, with a record number of companies created. While liquidity has yet to dry up, capital is becoming more discerning, and only the best of these will raise money, albeit at more reasonable valuations. For the most part, international investors have retreated, leaving startups with limited choices to raise needed venture and growth financing. While local investors in these markets remain committed, the capital raised by these groups cannot fill the growing financing shortfall. While sovereign wealth funds, particularly in Saudi Arabia and the UAE, have boosted liquidity for early-stage companies in their local markets and the region, they cannot be expected to fully fund the growing needs of regional startups. Private capital is required, and in the short term, it seems unlikely that significant money will be raised to ensure the momentum in startup funding, leading to some ecosystems suffering more than others.

What does this mean for the year ahead? We will likely witness three trends that will lead to the creation of regional champions in the coming years: (1) overall regional funding will decline, but specific ecosystems will continue to be well funded, (2) there will be a concentration of funding into the best companies that will extend their leading positions, and (3) there will be several creative startup mergers, both vertical and horizontal.

Sincerely,

Amjad Ahmad
 Chairman, empowerME
 Rafik Hariri Center for the Middle East
 Atlantic Council

Big Data



Source: [The World Economic Forum](#).

Previous Event



The Atlantic Council's empowerME Initiative hosted a workshop on destigmatizing failure and promoting business risk through policies and culture in Saudi Arabia and the wider MENA region was held on Tuesday, January 24th.

This workshop is part of the [Win \(Women Innovators\) Fellowship](#), led by the Atlantic Council's empowerME Initiative in cooperation with Georgetown University's McDonough School of Business with support from US Embassy Riyadh, PepsiCo, and UPS. The American Chamber of Commerce Saudi Arabia's Women in Business Committee is the program's in-person event partner. The yearlong program from March 2022 – March 2023 enables thirty-three Saudi women entrepreneurs to enhance their networks, gain practical knowledge, and develop US-Saudi people to people and business ties that will help them scale their business locally, regionally, and globally.

[Watch Event](#)

Win Fellowship 2023 Roadshow Winners

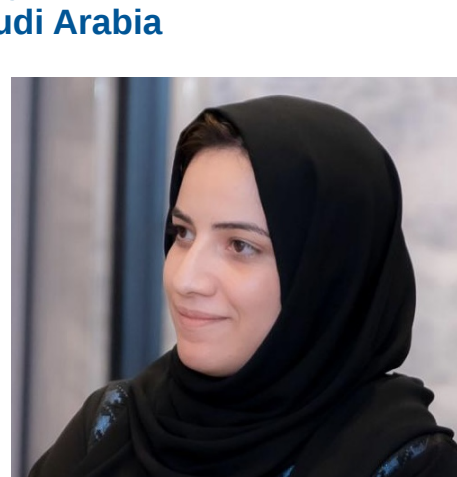


Congratulations to our top five performing [Win Fellows](#) who have been selected to participate in a roadshow trip to the United States! These five fellows will travel to Washington, DC, and New York City for a week of leadership training at Georgetown University and will also meet with corporate executives, investors, experts, and government officials set up by the Atlantic Council.

[Read More](#)

Entrepreneur of the Month: Renad Aljefri Ad Astra - Saudi Arabia

Renad Aljefri, the CEO of Ad Astra and empowerME Win (Women Innovators) Fellow, is at the forefront of an innovative initiative that aims to generate employment opportunities within the special needs therapeutic industry.



[Watch Video](#)

Big Question

What is your 2023 prediction about Middle East business or economy?

Philip Bahoshy
 CEO & Founder
 Magnitt

"We witnessed a record year for Emerging Venture Markets M&A activity in 2022, and this is likely to repeat in 2023 for several reasons. Alongside a correction in startup valuations, and given the challenges with raising funds in an environment of higher interest rates, a subdued IPO market globally, and more urgent cash conservation imperatives, some startups will be left with few choices aside from seeking acquisitions or consolidations as an alternative to fundraising. This provides a valuable opportunity for international startups, regional corporates, and well-capitalized companies from the region to acquire promising startups to achieve scale, and we think this could result in more exits and acquisitions from across EMVs in 2023 than ever before, especially from Asia."

"As a law firm, we are excited to predict the tremendous opportunities that the Vision 2030 framework and the various initiatives in the UAE will bring for our clients in 2023 and beyond. With the proposed vision, significant capital for investment, and a low tax environment, we anticipate a dramatic jump in the size and number of potential opportunities for our clients regionally and globally. We are also optimistic about the emergence of cutting-edge transactions such as new giga-cities, energy, renewable, and entertainment projects, which will become models to be replicated in other jurisdictions."

Nabil Issa
 Managing Partner
 Middle East Offices
 King & Spalding

Sherif Kamel
 Professor of Management
 Dean, School of Business
 The American University in Cairo

"In 2023, the global economy faces another unpredictable year, with many countries facing recession and rising inflation, furthering the pressure on governments, businesses, and individuals. In the Middle East, countries will experience mixed fortunes with varying growth prospects across the region—especially in the GCC, due to the growing global demand for oil and gas. The key issues to watch include accelerating digital transformation, investing in societies' most invaluable asset—human capital, growing the entrepreneurial ecosystem, further diversifying the economies, leveraging cross-border trade and investments, and transitioning to greener economies."

"Businesses in the Middle East are accelerating their sustainability efforts to drive efficiency across operations, and this will continue to be a key theme in 2023 as well. We also expect this year to be foundational for small and medium-sized enterprises (SMEs) in the region on the back of a strengthening economy and various initiatives being introduced by the government across the region. A good example is announcing 2023 as the Year of Sustainability and Dubai hosting the COP28. At UPS, we remain focused on contributing to the vision of the regional governments and supporting local businesses scale their international trade efforts."

Abbas Panju
 Managing Director
 Middle East & Central Asia
 UPS

Andrew Torre
 Regional President
 Central & Eastern Europe,
 Middle East, & Africa
 Visa

"2023 will be a promising year for economic growth in the Middle East. Central to that is expanding access to the digital economy, with all the social and economic benefits that it brings. We expect regions such as the GCC to become increasingly attractive destinations for both FDI and the world's best talent, with SMEs, the backbone of many of these economies, key to growth. If we look at the payment ecosystem, fintechs and innovators will continue to flourish, benefiting from a robust enabling environment facilitated by forward-thinking regulators and sandboxes."

"The Middle East represents a ray of sunshine in the current global macroeconomic environment. Consumer spends are holding steady and with oil prices likely to sustain \$75-\$95 levels in 2023, we expect the region to lead the world in short to medium term growth prospects (GDP growth of ~4 percent in GCC vs 2.7 percent globally in 2023). The pandemic has accelerated the adoption of online channels. E-commerce in the region has grown exponentially, with a 3.5x increase in size and penetration. 2022 was the best year ever for our business and we expect this to continue in 2023 and we have seen strong early demand extend into this year."

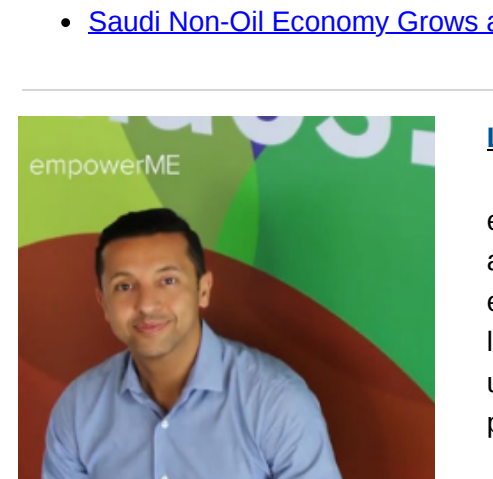
Dharmin Ved
 CEO
 6thStreet.com

ChatGPT

"I predict that by 2023, the Middle East business and economy will have become more diversified and resilient, due to the increased focus on technological advancement and entrepreneurship. This will result in more sustainable growth and opportunities for businesses in the region, as well as improved economic conditions for citizens. Furthermore, the region will have become more integrated into the global economy, allowing for increased access to foreign markets and investment opportunities."

Big Reads

- [Saudi Arabia Says Open to Settling Trade in Other Currencies](#) (Bloomberg)
- [The New Gulf Sovereign Wealth Fund Boom](#) (Financial Times)
- [The New Bankers to the World Aren't on Wall Street](#) (Bloomberg)
- [Saudi Non-Oil Economy Grows at Fastest Pace in Over a Year](#) (Bloomberg)



[Learn about empowerME](#)

empowerME is changing the conversation about the Middle East by focusing on economic prosperity. Watch this video to learn more about empowerME and its unique chairman, regional venture capital pioneer Amjad Ahmad.

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