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#08.AUGUST 2016

THE TRUTH ABOUT BREXIT

WHAT IT MEANS FOR YOU
AND YOUR BUSINESS



Brexit: What does it mean for you?

Experts share their thoughts on some of the key impacts of Brexit on Gulf nationals and residents

The United Kingdom's decision to leave the European Union with a 52 per cent majority caught the world by surprise. Stock markets initially tumbled and the value of the British pound hit a 30-year low in the days following the June 23 vote.

But now that the dust has settled and some time has been taken to digest the decision and its implications what does it mean for the man (or woman) on the street in the Gulf?

We asked experts from across the region for their perspective on how Brexit could impact business and our everyday lives in the months and years ahead.

Property buyers beware
JLL MENA head of capital markets
Gaurav Shivpuri

"While, it is early for us to predict the fundamental changes that would affect the property market in the UK from the occurrence of Brexit, let alone the Middle East, there are several trends that could occur purely based on sentiment in the short to medium term.

"The more predictable will be the negative impact of the weakening British pound on the residential and hospitality sector in Dubai. Citizens of the UK were the emirate's second largest investment group last year, accounting for circa Dhs 10bn in investment in the property sector. Similarly, the UK was the third biggest source market for overnight



1,269,501

the difference between the leave and remain voters



7.1%

the percentage of people who voted 'leave' but now regret their decision



visitors in 2015, with more than 1.2 million arrivals.

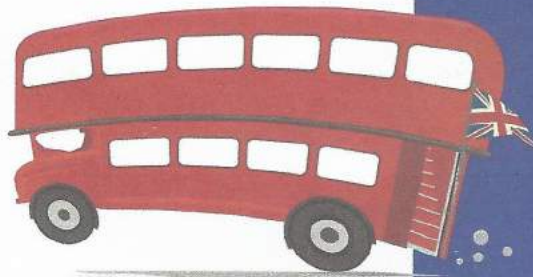
"Elsewhere, the general uncertainty in the global economy may result in global corporates holding back their investment and growth decisions in the Middle East. This may have an impact on the office sector, albeit a small one and for a short period of time.

"On the positive side, typically \$10bn to \$12bn of documented capital leaves the region for investment into property sector around the world every year, excluding residential and small-scale investments. The part of this amount that traditionally went into the UK will be curtailed post Brexit as investors wait to see the impact on the British economy.

"This capital will look for alternative locations and may go elsewhere in the globe or even stay in the region, benefitting predominantly Dubai and Saudi Arabia."

More market turmoil
Falcon Private Bank chief investment officer
David Pinkerton

"The decision of England to leave the EU led to a dramatic decline in the



GBP 350m

the amount promised every week to the NHS by the Vote Leave campaign

0.1%

The IMF's reduction in its global growth forecasts for 2016 and 2017 following the Brexit vote



2018

Under Article 50 of the Treaty of Lisbon, an exit from the EU could take up to two years, meaning the UK will not fully leave the union until 2018 at the earliest

value of the pound and immediate declines in risk assets around the world. This does not affect locals as immediately and as sharply as it affects people residing outside of the UK but the longer term effect is the same: reduced purchasing power for one's wealth.

"As for the decision itself, the principal question is whether this is symptomatic of larger political instability.

"We see a trend towards increased nationalism originating in the fact that demographics are

“ Individuals and businesses that voted 'remain' will now be looking at their options outside of the UK and the GCC has always been attractive for business, investment and expatriates.



Brexit

contributing to slower GDP growth, anemic job growth, diverging earnings growth and a weakening impact of central bank stimulus efforts.

"The impending changes on the political horizon, the nearing end of the efficacy of central bank stimulus, negative yields and transformative nature of world economies mean that there are likely to be continued shock risks to financial asset prices. All of this means more volatility, more risk and opportunity, but a need for more attentive and dynamic care towards asset management and wealth preservation."

New talent incoming

Charterhouse managing director Middle East and Europe
Jennifer Campori

"The vote for Brexit will create challenging times for British businesses and most certainly for the UK recruitment industry. However in my view the decision will have little impact on job losses or recruitment in the GCC. If anything, it will mean more UK businesses and candidates will look to the GCC for growth opportunities. Individuals and businesses that voted 'remain' will now be looking at their options outside of the UK and the GCC has always been attractive for business, investment and expatriates.

"This should most certainly see a boost in recruitment and further positive business sentiment for the GCC particularly within construction, hospitality, retail and professional services.

"While the GCC market and global markets have felt the impact of the oil price, particularly in Q4 of 2015 and the first two quarters of 2016, we are now seeing a small rebound. For the GCC the outlook is bright with oncoming mega projects like Expo 2020 in Dubai and the World Cup 2022 in Qatar.

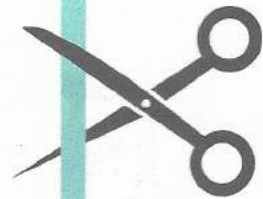
"I also do not see the present situation in the UK deterring or impacting employment visas or business opportunities in the region. When one door closes another opens and the GCC is a great place to seek a new challenge."

UK education maintains its appeal

Arcadia Preparatory School chief executive officer and Young Presidents Organization member
Navin Valrani

"The United Kingdom has a history of formal school education that goes back to the Middle Ages. With British universities such as Oxford, Cambridge, London School of Economics and London Business School among others and schools such as Eton, Harrow and St. Paul's, I cannot possibly even fathom UK education institutions being affected when it comes to students from the GCC. On the contrary, independence from Europe may even make the British education offering more global than it already is.

"A British education is second to none and I do not see the UK's exit from Europe being a factor in the value of a British degree. Be it at the primary, secondary or the university level, it



is known to be well-rounded while academically rigorous. Even for those students looking towards the United States for their further education, we very often see families leaning towards a British primary and secondary education before their children move on to university. I do not see this changing due to Brexit."

Borders remain open

Fragomen partner Murtaza Khan

"For Gulf nationals wishing to live, work, study or holiday in the UK, the Brexit vote does not mean there are likely to be any significant immigration changes due to independent bilateral regulations between the UK and GCC countries.

"UK nationals are eligible for visitor visas on-arrival to all the GCC countries, except Saudi Arabia. Conversely, nationals of Oman, Qatar, Kuwait and the United Arab Emirates seeking to enter the United Kingdom for business or tourism for up to six months can benefit from an electronic visa waiver programme. These arrangements are not impacted by Brexit.

"The biggest immigration changes will be for EU citizens looking to visit or base themselves in the UK although again no one knows how far reaching those changes will be.



10%

the expected fall in value in the UK property market

\$96,000

the average drop in price of a prime central London residential asset after the Brexit vote

"There is undoubtedly concern that the imposition of restrictions on EU nationals will make the UK a less attractive destination, particularly if business visitors or tourists from some or all of the EU countries need visas in the future. But with Schengen-UAE reciprocal arrangements in place, it may make the UAE a more attractive destination to seek such opportunities."

Currency and trade opportunities

Genesis International CEO
Qais Al-Khonji

"Brexit will have knock on effects on the rest of the EU and the rest of the world, including the GCC. Investors face the most direct impact, the value of their UK assets and properties has already declined by almost 30 per cent, and so it's obviously a bad time to sell.

"Other investors might also see this as an opportunity to buy, as a reduction in supply might be in the longer term a formula to adjust the market.

"On the other hand, the UK has become cheaper for GCC tourists as the pound has declined. A lower sterling also means greater opportunities for investment into the country. I would definitely consider investing in the UK, but I think the pound's value has not bottomed out yet. "Another aspect will see the UK government have to

renegotiate trade relations with the outside world. Some of the countries in the region such as the UAE have already reached an advanced stage in talks over free trade agreements with the UK, and once that's done I believe the other GCC countries will follow in the same footsteps.

"There are a lot of benefits [to this] such as increasing exports in goods and services and lower tariffs on exported goods, although this would occur over time in a staggered manner, as well as removal or relaxation of quotas on certain imported goods that can be imported."

Tourism may take a hit

IHG chief operating officer for India, Middle East and Africa
Pascal Gauvin

"At this early stage there are still uncertainties as to what Britain's exit from the EU will mean for the Middle East. In the near term the devaluation of the pound and the current sentiment in the UK and Europe may affect inbound travel to the Middle East to the extent that travellers will be looking for better deals. However, currently we are focussed on an upward trend of travellers from China, India and Indonesia visiting key cities in the region. Moreover, we are seeing an increase in regional travel, for both business and leisure, between the GCC and its neighboring countries which is positive for the industry."

27

the number of member states that would be left in the EU following a UK exit

