McKinsey&Company

Middle Eastern Sentiment Survey

MCKINSEY 2018 GLOBAL SENTIMENT SURVEY – RESULTS FOR THE MIDDLE EAST

January, 2018

WORKING DRAFT
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Content

- **Overview of the survey**
- Saudi results
- UAE results
- Egypt results
- Pakistani results

Survey details

- Survey fielded Sep 2015, Mar 2016, Sep 2016, April 2017 and Sep 2017
- Online survey thereby skewing to online population (usually younger, urban, and more affluent)
- In Pakistan in-person interviews are used

Weighting

- Country results weighted to census for age and to panel for income/social economic status
- Category insights weighted by purchase incidence
- Regional and country weighting in line with MGI procedures
  - Sentiment questions weighted by size of the consuming class
  - Behavioral questions weighted by size of the consuming class and per capita consumption of the consuming class

Content

- Overview of the survey
- **Saudi results**
- UAE results
- Egypt results
- Pakistani results

Surveys conducted in Saudi are balanced by immigration status, gender, age, and income

1,004

Respondents[1]

All respondents are balanced by immigration status[2]

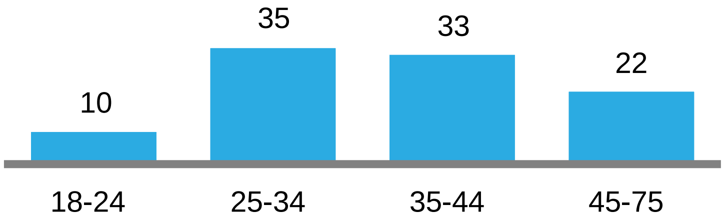
Expats	Nationals
36%	64%

Additional balancing by gender, age, and income[2]

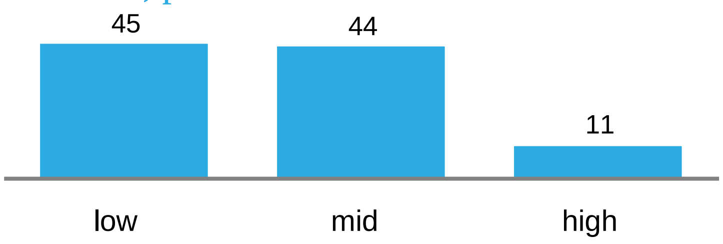
Gender

Male	Female
36%	64%

Age, percent



Income, percent



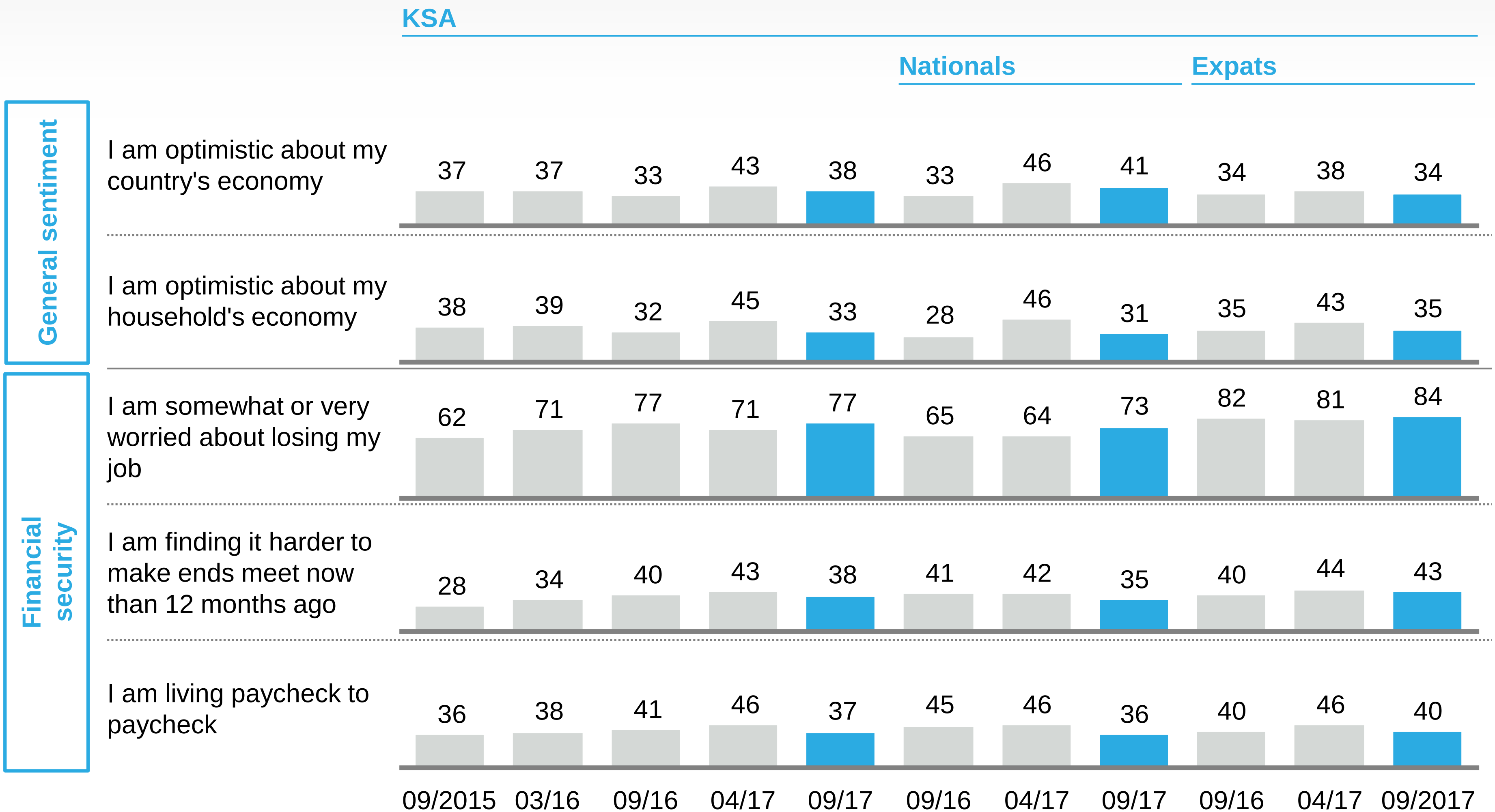
[1] 700 respondents in April 2017, 1,000 in September 2016, 700 in March 2016, and 457 in September 2015

[2] weighted percentages

KSA consumers are more financially secure yet also increasingly worried about their economy and their ability to maintain a job

Consumers sentiment

Percent of people agreeing/strongly agreeing with each statement

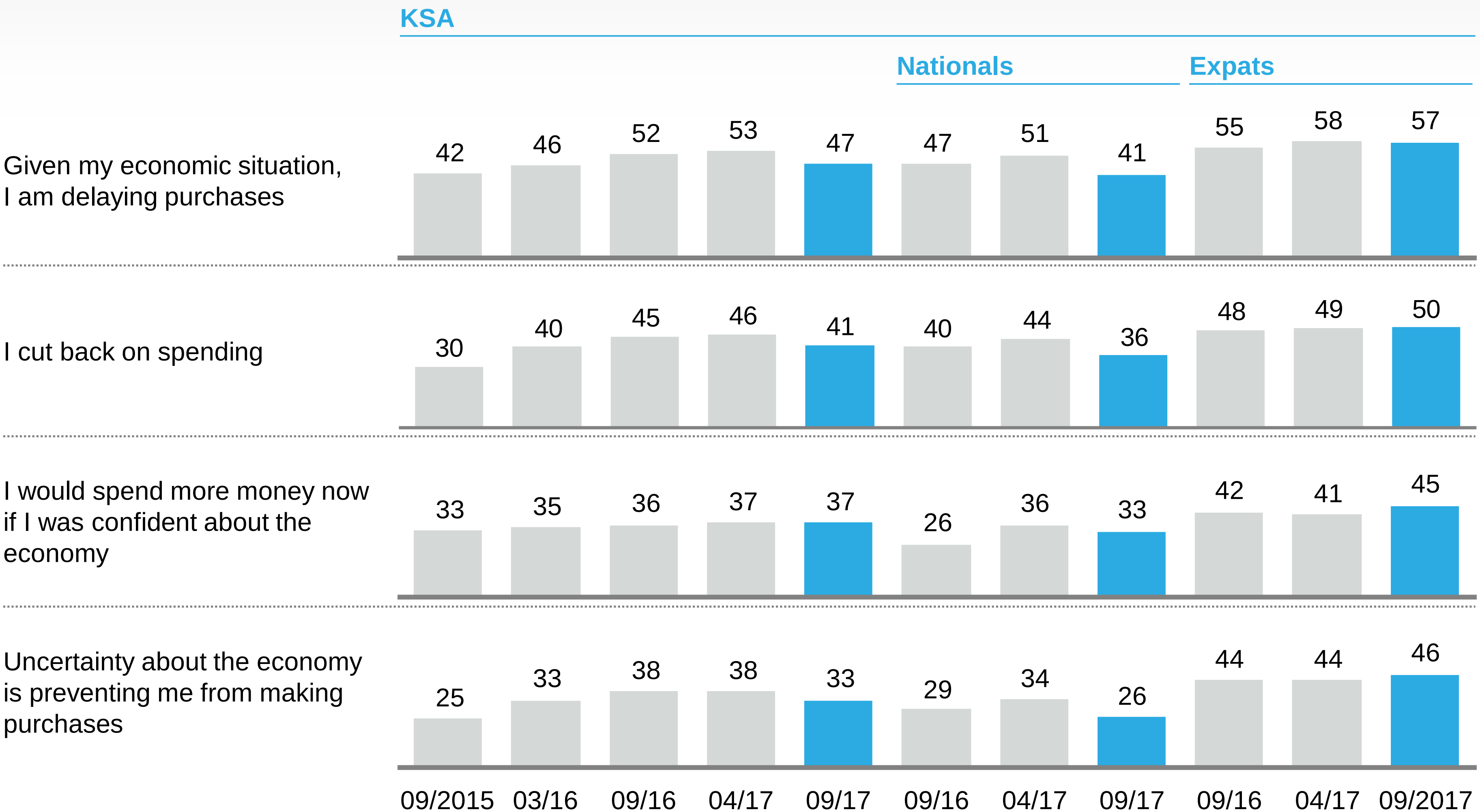


SOURCE: McKinsey 2016-2018 McKinsey Global Sentiment Survey

Consumers are more bullish about their ability to spend; especially Nationals are generous spenders

Consumers sentiment

Percent of people agreeing/strongly agreeing with each statement



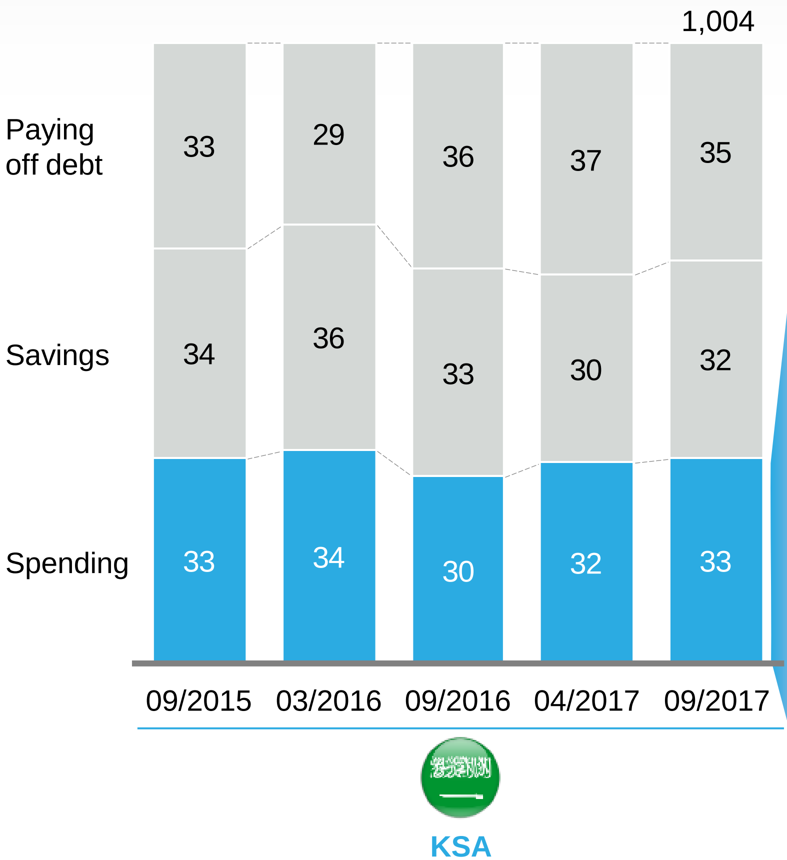
SOURCE: McKinsey 2016-2018 McKinsey Global Sentiment Survey

Even if incomes increase, KSA consumers would not spend more than 33%

Extra money allocated toward spending

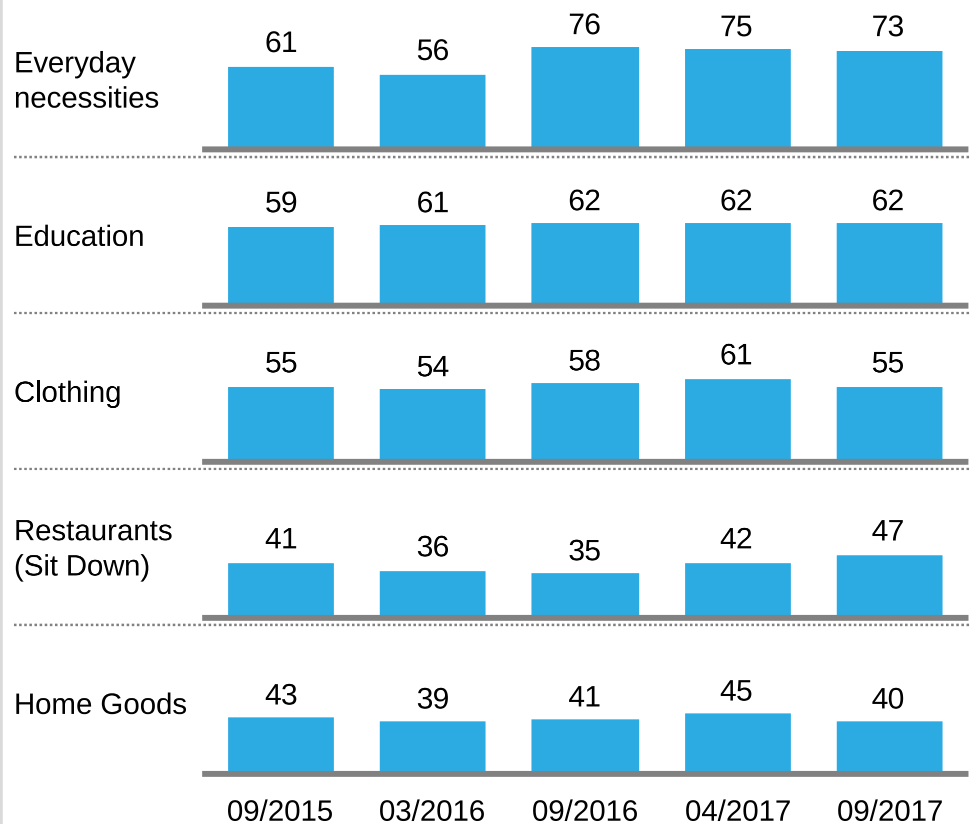
If I earned 10% more next year, I would put it towards

Percent



Top 5 priorities for consumers wishing to allocate additional spending[1]

Percent of consumers likely or very likely



[1] Other categories not listed in the top 5 for KSA (9/2017) are Electronics (40), Home/Housing/Real Estate (40), Vacations (39), Restaurants (Take Out) (38), Major Appliances (36), Gifts (34), Vehicles (32), Entertainment (28), High-End Designer/Luxury Products (27), Pet Care (15)

SOURCE: McKinsey 2016-2018 McKinsey Global Sentiment Survey

5 truths about today's consumers in KSA

1 Savvy cost-cutters

All consumers find creative ways to spend less and save money: 52% of consumers are increasingly looking for savings in KSA today (down from 56% in April 2017)

2 Thrifty brand loyalists

~34% of consumers look to buy their preferred brands at stores with lower prices (in April 2017, this number was 42%

3 Selective splurgers

Consumers continue going up and down the price pyramid: 16% trade down and 11% trade up

4 Trade-down converts

45% of trade down leads to happy consumers (vs 41% in Sept 2016) and only 46% of consumers desire to go back to their old brands (44% in Sept 2016)

5 Multichannel shoppers

Consumers in the region believe to have cut spending in all channels

SOURCE: McKinsey 2016-2018 McKinsey Global Sentiment Survey

1 Savvy cost-cutters

KSA consumers are finding creative ways to spend less and save money

Consumers agreeing/strongly agreeing over the last 12 months
Percent

KSA

	09/2015	03/16	09/16	04/17	09/2017
I am increasingly looking for ways to save money	44	53	52	56	52
I am looking for sales and promotions	40	43	52	54	49
I am delaying purchases	42	46	52	53	47
I shop around to get the best deals	37	43	46	46	44
I am paying more attention to prices	35	39	44	46	44
I wait for products to go on sale	30	34	39	40	40
I use coupons and loyalty cards more often	19	21	27	35	34
I buy more in bulk	23	26	32	29	28

SOURCE: McKinsey 2016-2018 McKinsey Global Sentiment Survey

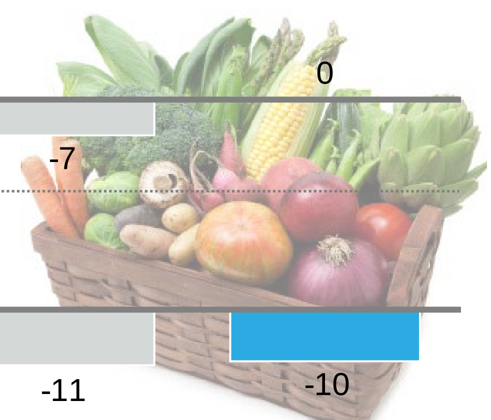
Consumers continue their quest to eat healthy food

Net changes in eating habits in the last 12 months

Difference between doing more and doing less, Percent

KSA

	09/2015	03/16	09/16	04/17	09/2017
Eating healthy foods	10	18	19	11	20
Buying locally sourced products	0	2	-3	-3	4
Reading nutrition labels in stores	-5	4	-4	-7	0
Buying natural or organic products	-10	-7	-12	-11	-10



SOURCE: McKinsey 2016-2018 McKinsey Global Sentiment Survey

KSA consumers are generally brand loyal IF the price is right

Changes in buying behavior in the last year among those who changed buying behavior

Weighted average for categories in basket, Percent

1 Multiple answers possible

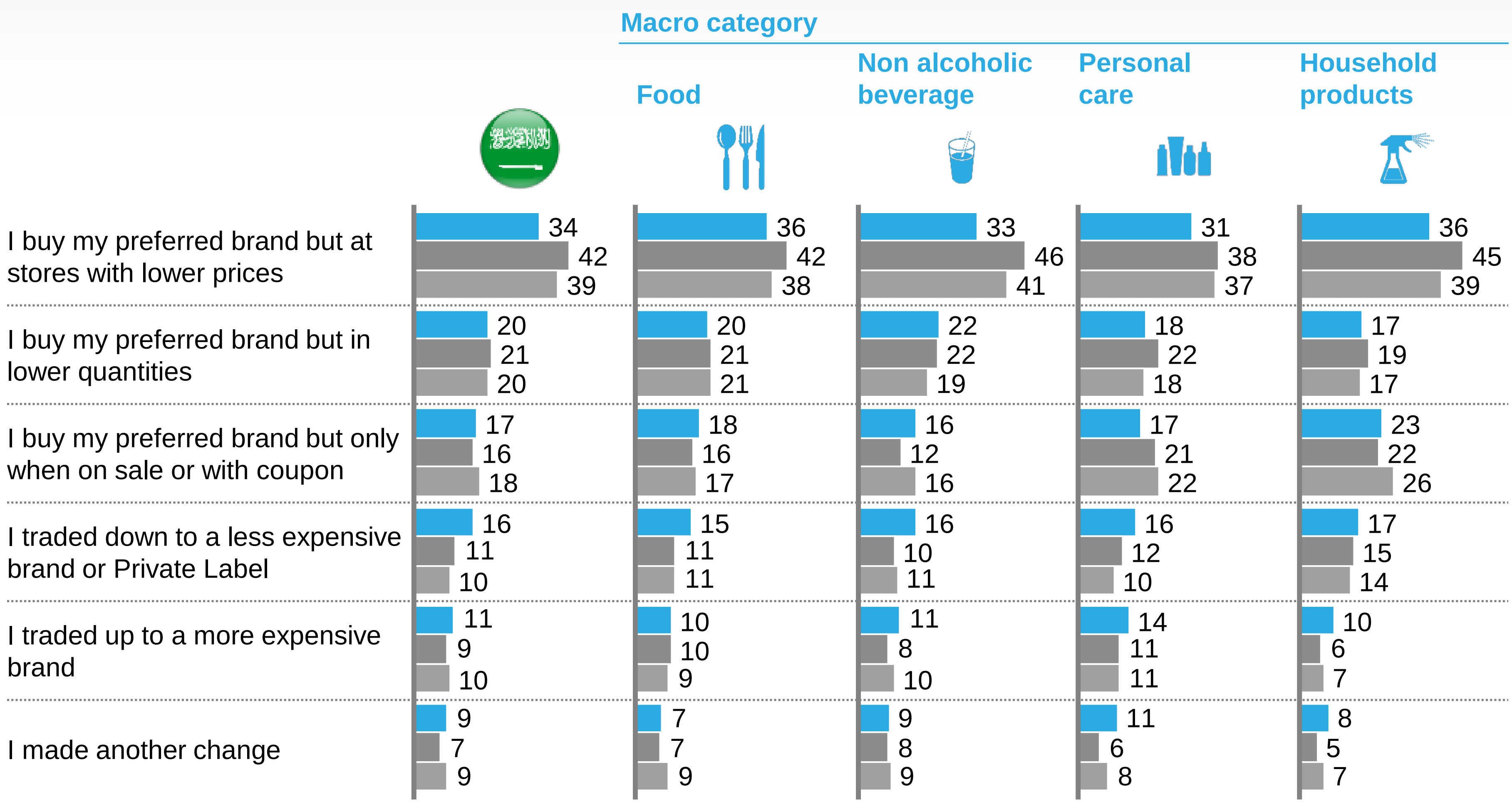
SOURCE: McKinsey 2016-2018 McKinsey Global Sentiment Survey

09/2016 04/2017 09/2017

Consumers are brand loyal across most categories, and look for ways to buy their preferred brands for less

Changes in buying behavior in the last year among those who changed buying behavior

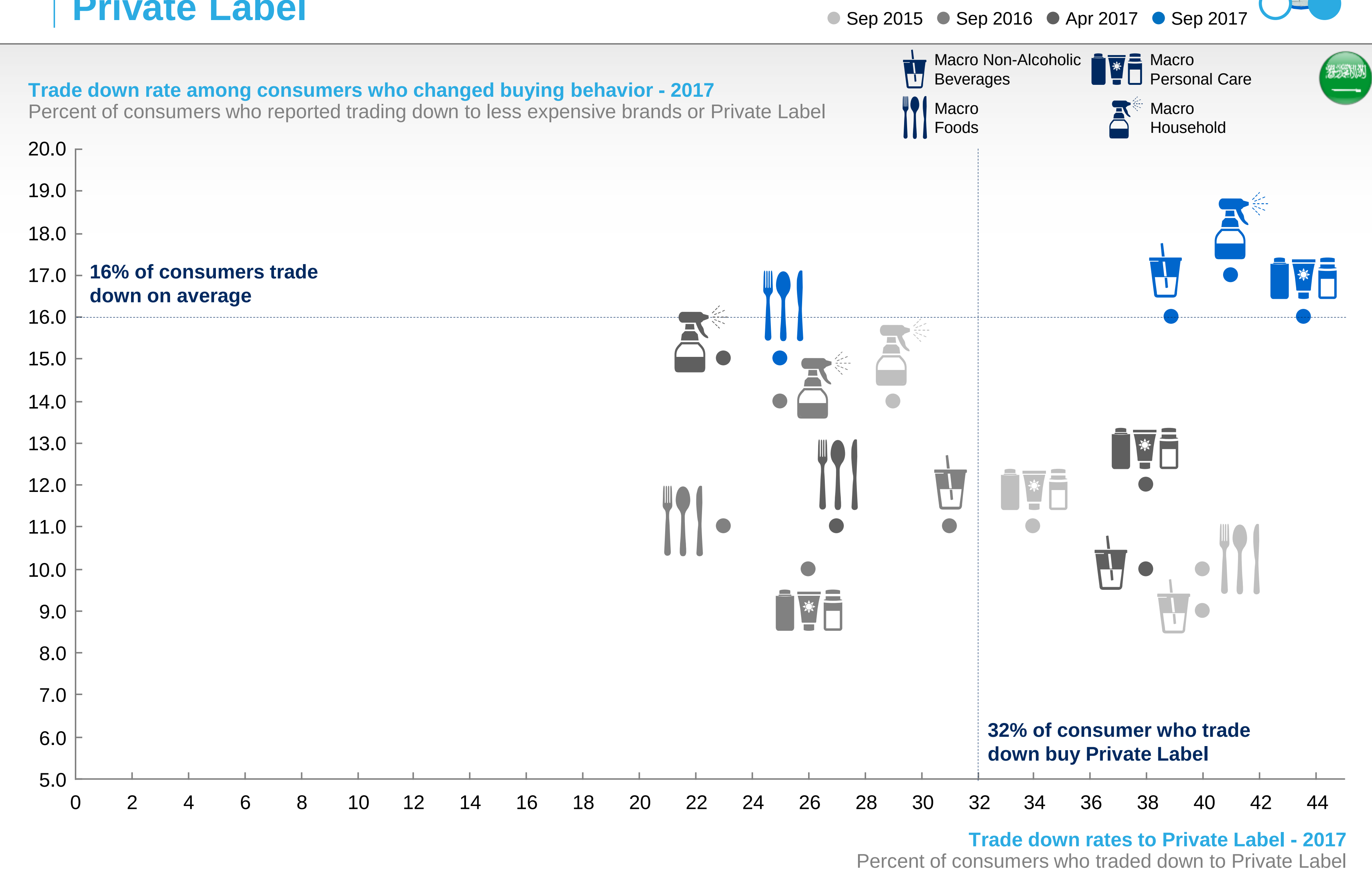
Weighted average for categories in basket, Percent



1 Multiple answers possible

SOURCE: McKinsey 2017-2018 McKinsey Global Sentiment Survey

16% of consumers trade down overall; 32% of this group buy Private Label

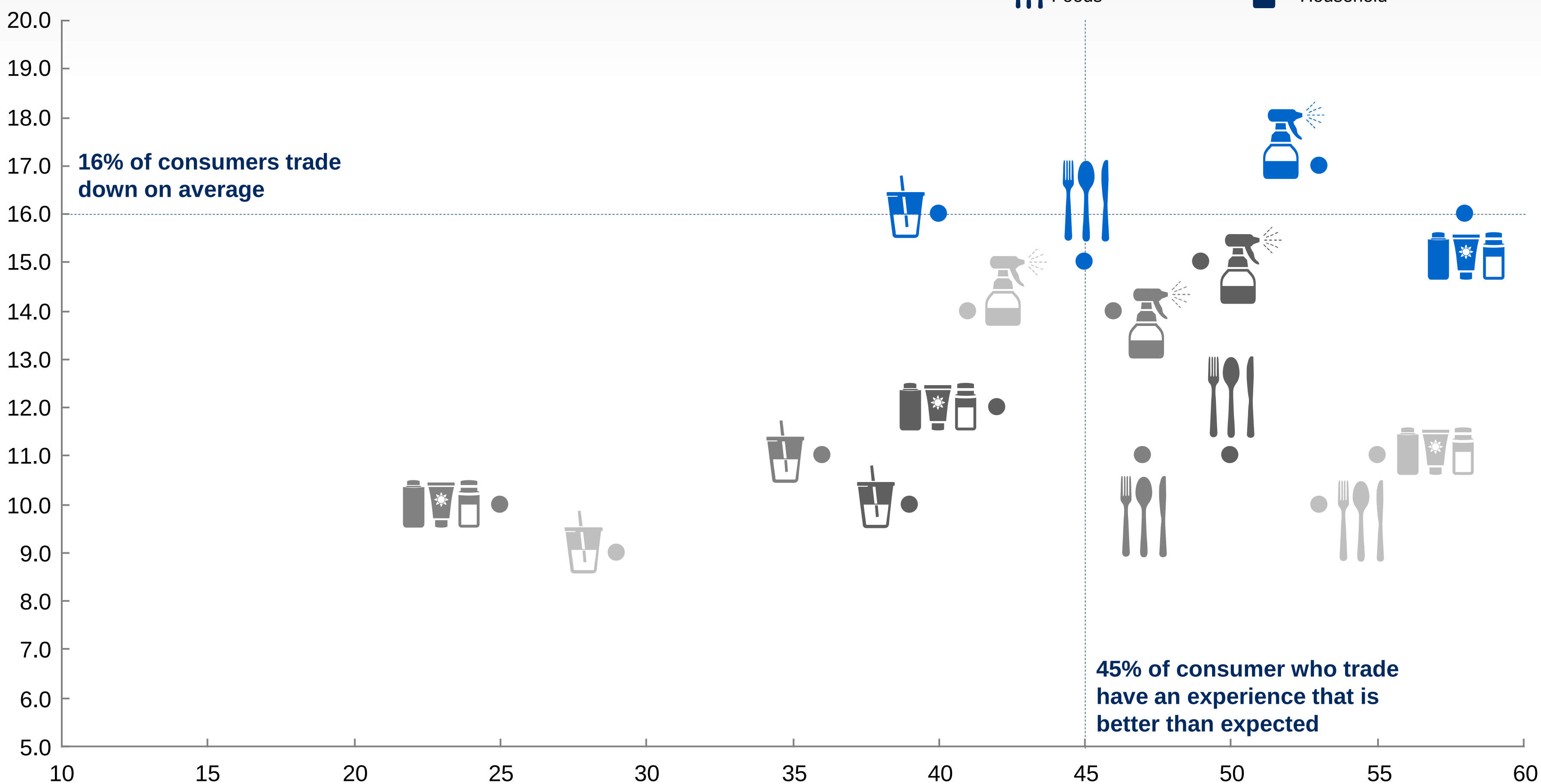


On average, 45% of trade down leads to happy consumers

Sep 2015 Sep 2016 Apr 2017 Sep 2017

Macro Non-Alcoholic Beverages
Macro Personal Care
Macro Foods
Macro Household

Trade down rate among consumers who changed buying behavior - 2017
Percent of consumers who reported trading down to less expensive brands or Private Label



Experience better than expected- 2017
Percent of consumers who traded down reporting an experience better than expected

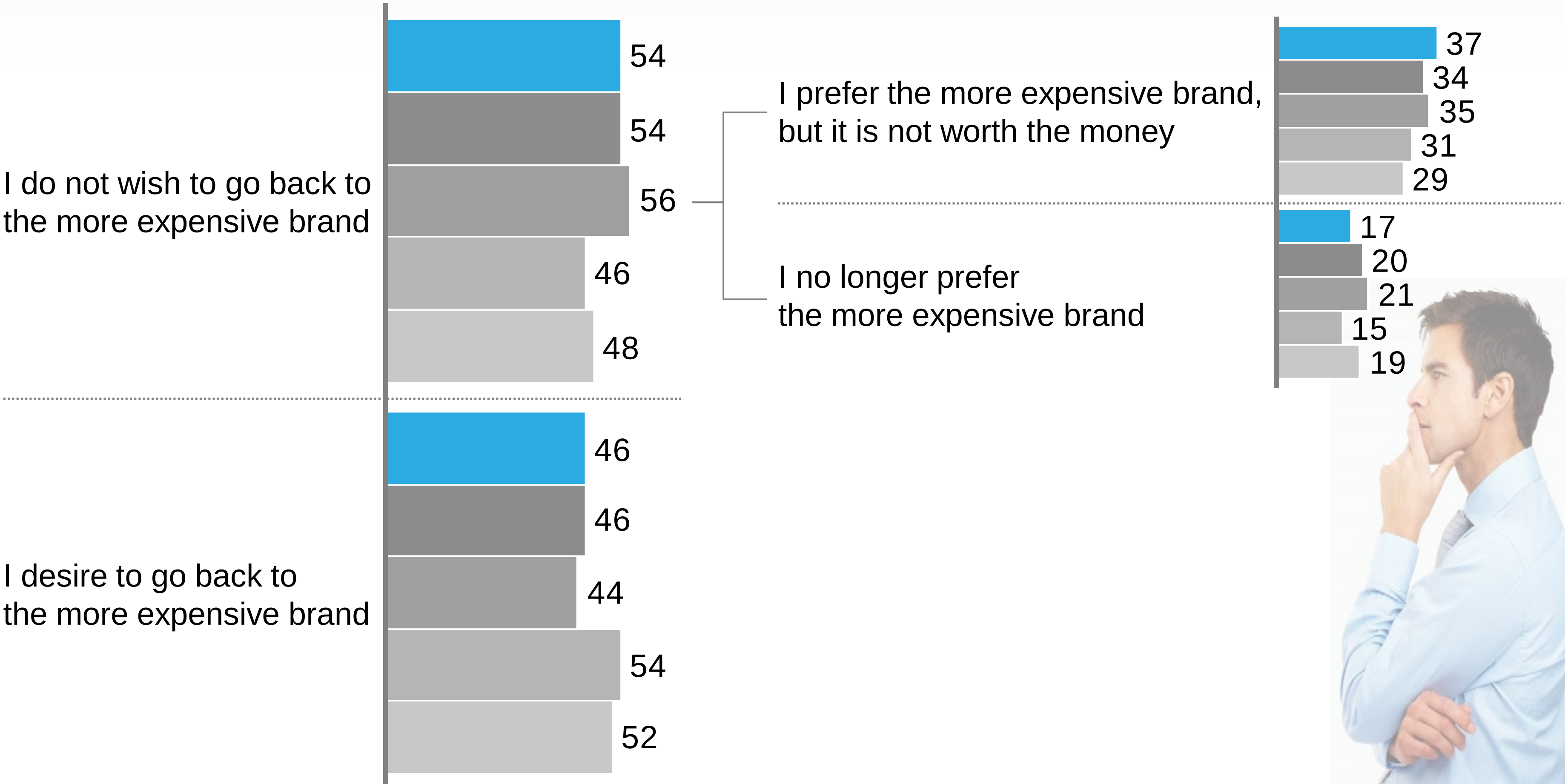
Trade-down converts

4 54% of consumers do not intend to return to the more expensive brand

How are you feeling about your current purchases of less expensive brands

Percent

KSA



5

Multichannel shoppers

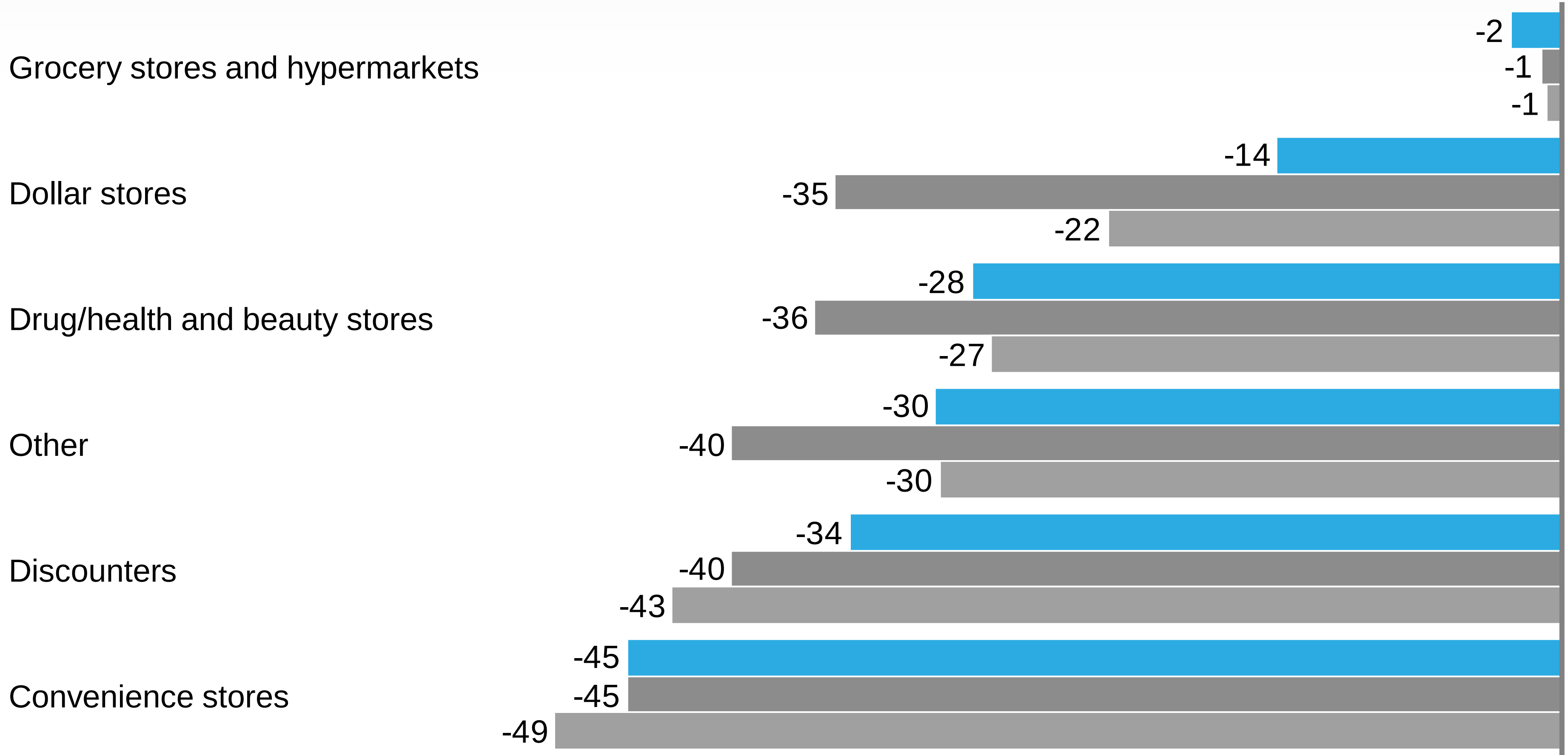
KSA consumers believe that they have cut spending in all channels

09/2016 04/2017 09/2017

Net change in household spending by channel cluster[1]

Based on stated behavior, Percent, last 12 months

KSA



SOURCE: McKinsey 2017-2018 McKinsey Global Sentiment Survey

Content

- Overview of the survey
- Saudi results
- **UAE results**
- Egypt results
- Pakistani results

Surveys conducted in UAE are balanced by gender, age, and income

1,003

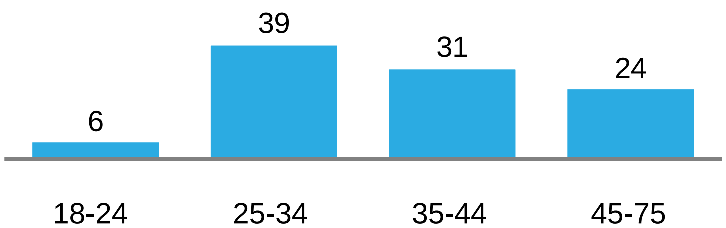
Respondents[1]

All respondents are balanced by gender, age, and income[2]

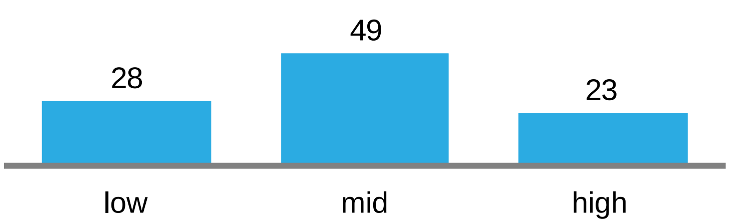
56%

44%

Age, percent

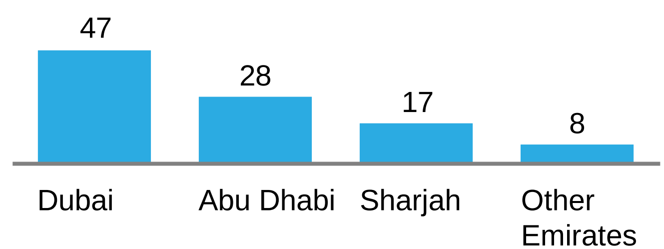


Income, percent



Additional split available by region

Region, percent



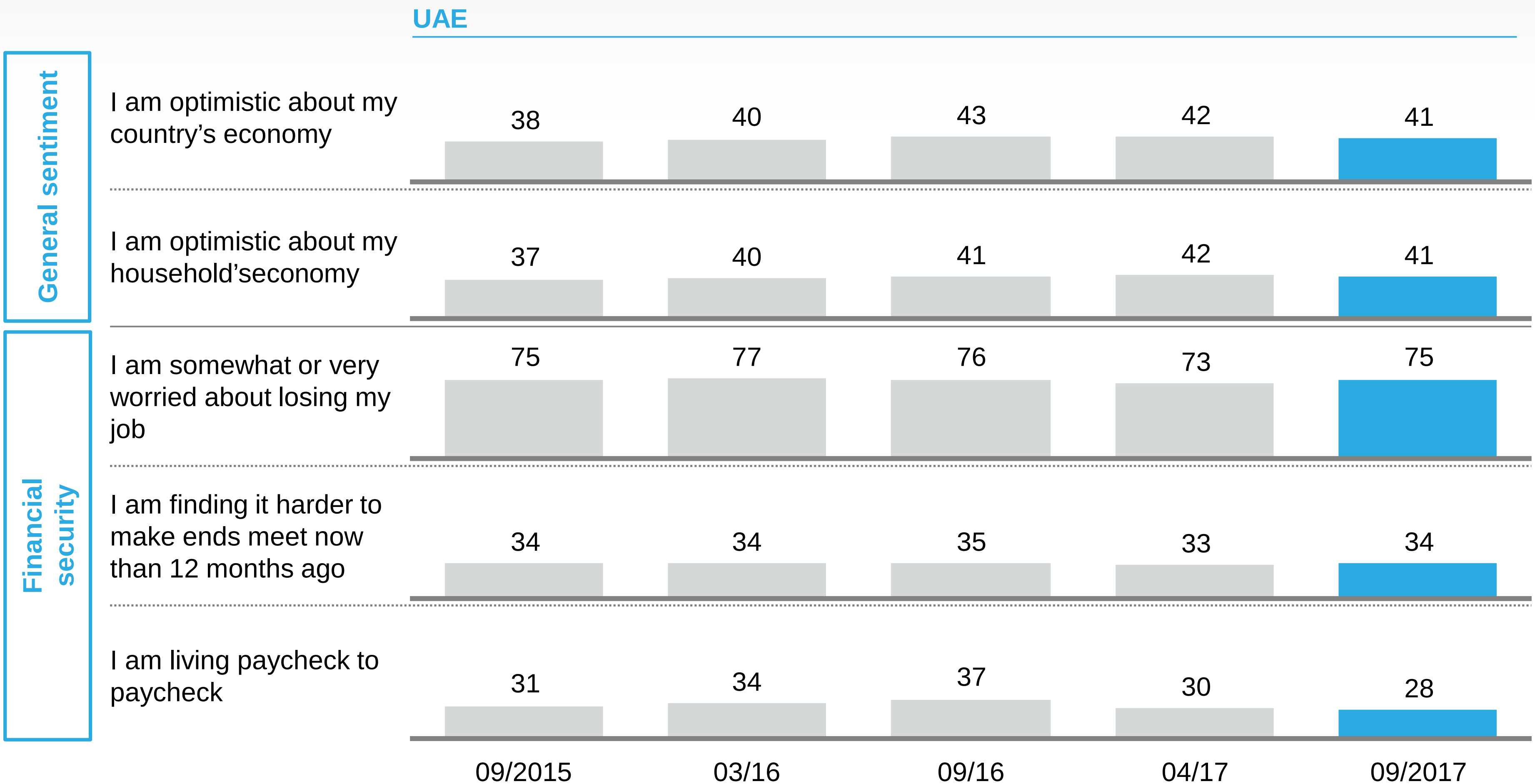
1 700 respondents in April 2017, 1,000 in September 2016, 700 in March 2016, and 358 in September 2015
2 weighted percentages

SOURCE: McKinsey 2016-2018 McKinsey Global Sentiment Survey

Sentiment of UAE consumers is similar to Spring 2017 levels

Consumers sentiment

Percent of people agreeing/strongly agreeing with each statement

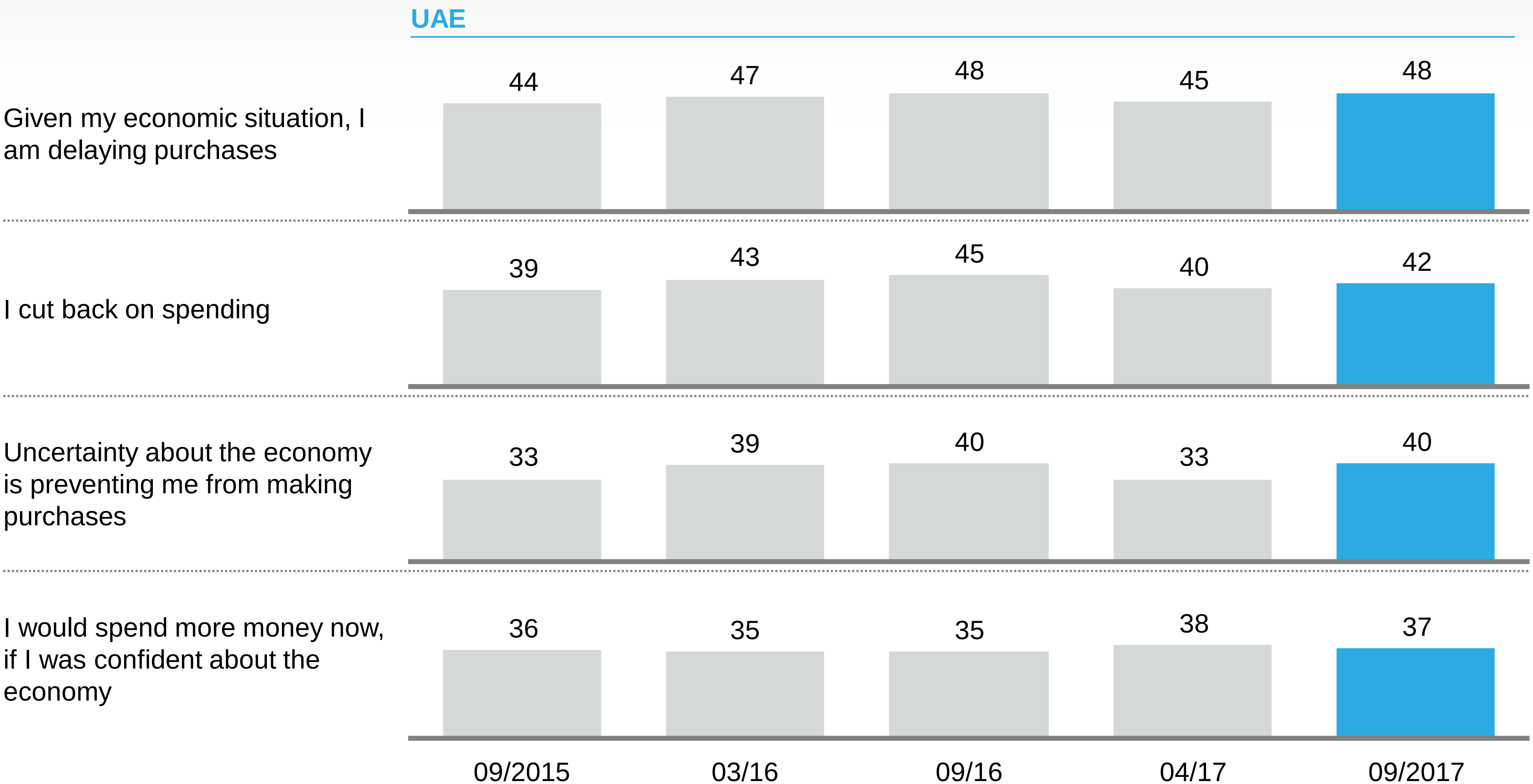


SOURCE: McKinsey 2016-2018 McKinsey Global Sentiment Survey

UAE consumers are more cautious when making financial decisions today than in April 2017

Consumers sentiment

Percent of people agreeing/strongly agreeing with each statement



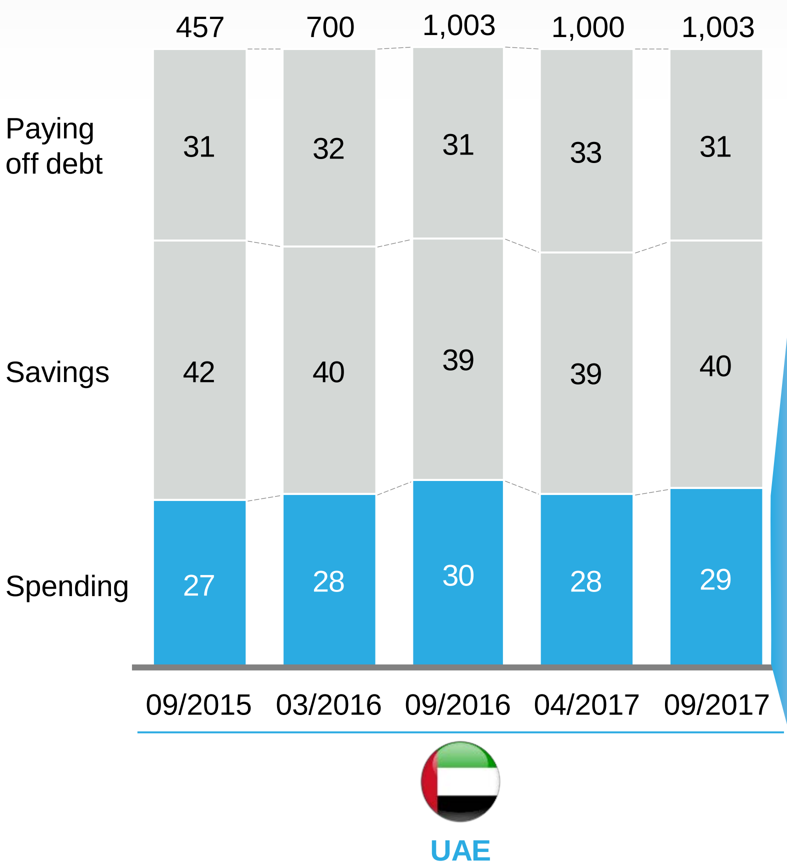
SOURCE: McKinsey 2016-2018 McKinsey Global Sentiment Survey

Even if incomes increase, UAE consumers do not plan to spend more than 29% of it

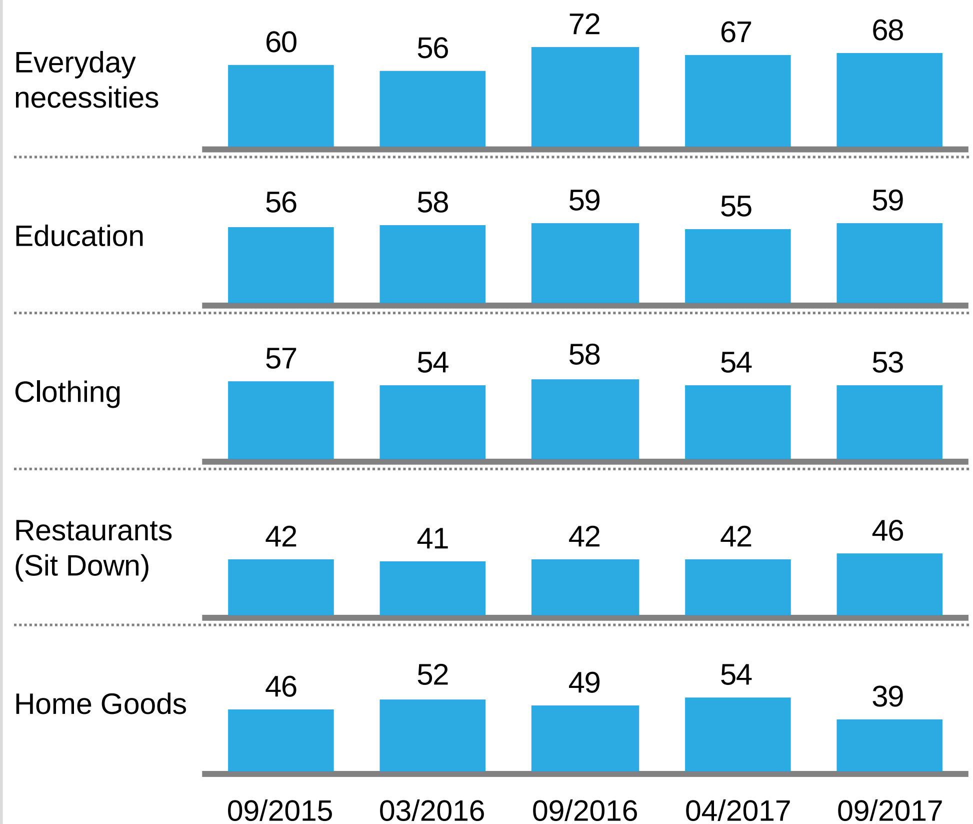
Extra money allocated toward spending

If I earned 10% more next year, I would put it towards

Percent



Top 5 priorities for consumers wishing to allocate additional spending[1], Percent of consumers likely or very likely



1 Other categories not listed in the top 5 for UAE are Home/Housing/Real Estate (38), Electronics (37), Restaurants (Take Out) (37), Entertainment (37), Gifts (32), Vehicles (30), Major Appliances (30), High-End Designer/Luxury Products (25), Pet Care (13)

SOURCE: McKinsey 2016-2018 McKinsey Global Sentiment Survey

5 truths about today's consumers in UAE

1 Savvy cost-cutters

Slightly fewer UAE consumers are changing their behavior to save: 53% of consumers are looking for sales and promotions

2 Thrifty brand loyalists

78% of consumers in the region changed their consumer buying habits to save: 34% of consumers look to buy their preferred brands at stores with lower prices

3 Selective splurgers

Consumers continue going up and down the price pyramid: 14% trade down and 12% trade up

4 Trade-down converts

41% of trade down leads to happy consumers and only 46% of consumers desire to go back to their old brands

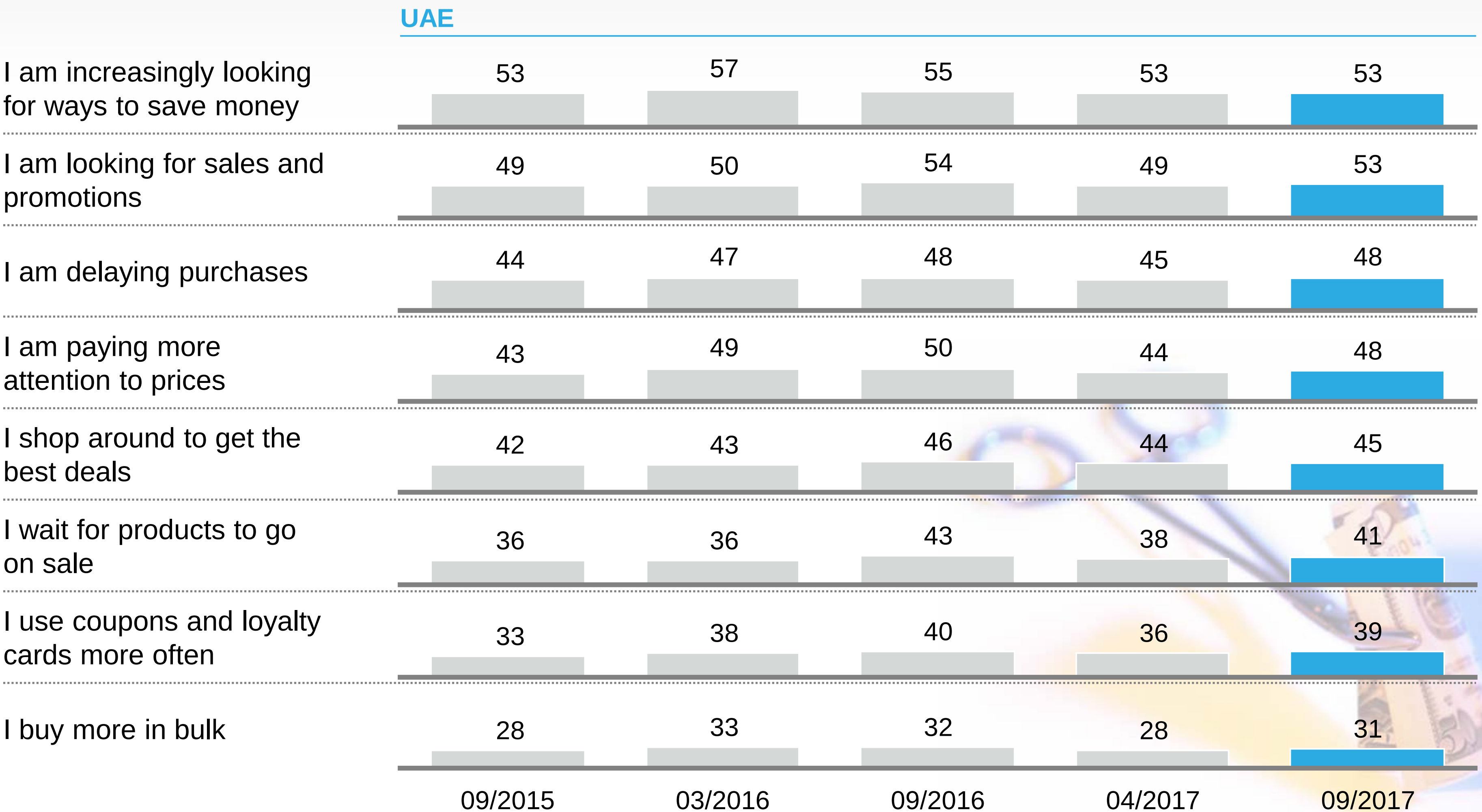
5 Multichannel shoppers

Consumers in the region increasingly favor discount formats and chain grocery stores

SOURCE: McKinsey 2016-2018 McKinsey Global Sentiment Survey

Fewer UAE consumers are changing their behavior to save

Consumers agreeing/strongly agreeing over the last 12 months
Percent

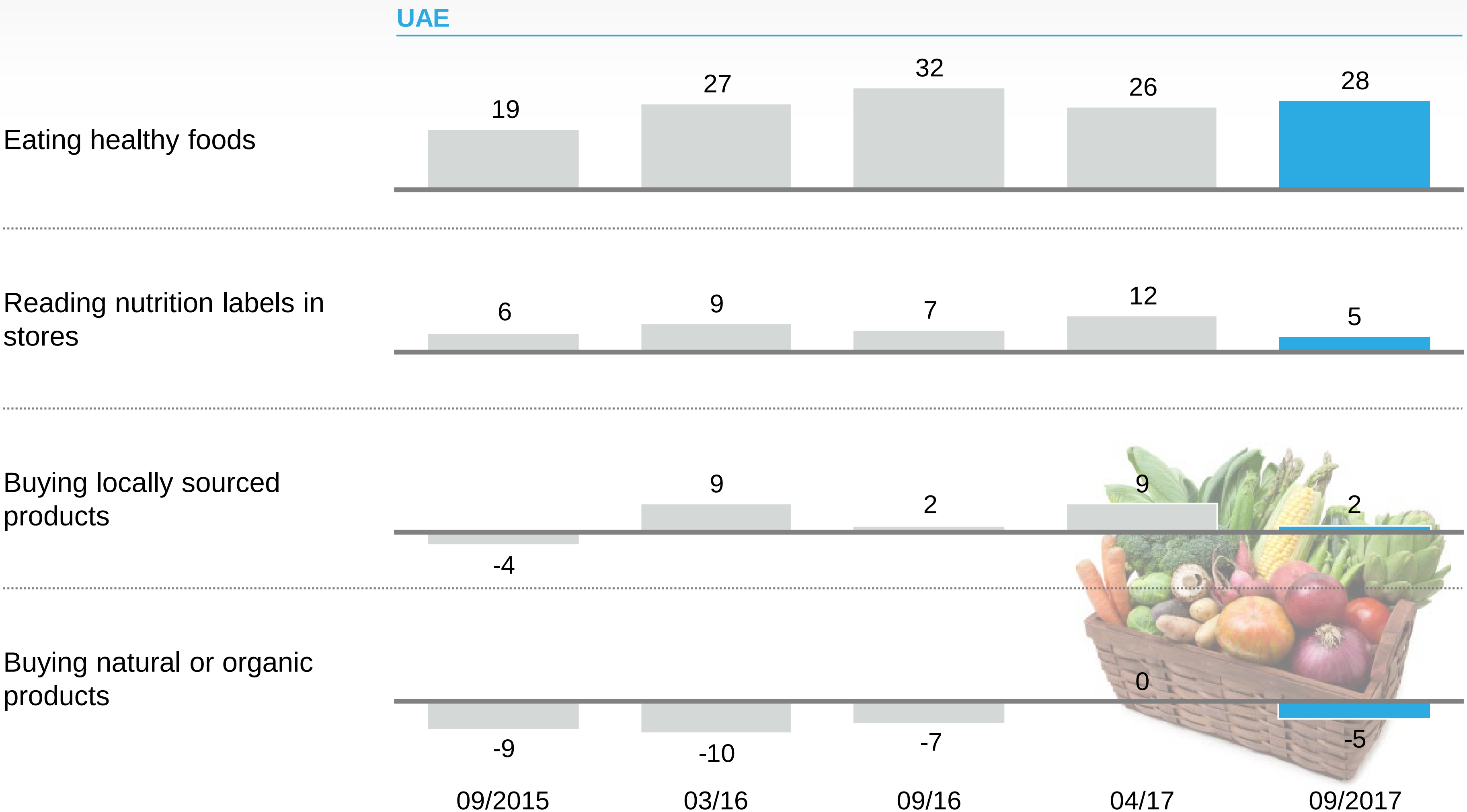


SOURCE: McKinsey 2016-2018 McKinsey Global Sentiment Survey

1 Consumers continue their quest to eat healthy food

Net changes in eating habits in the last 12 months

Difference between doing more and doing less, Percent

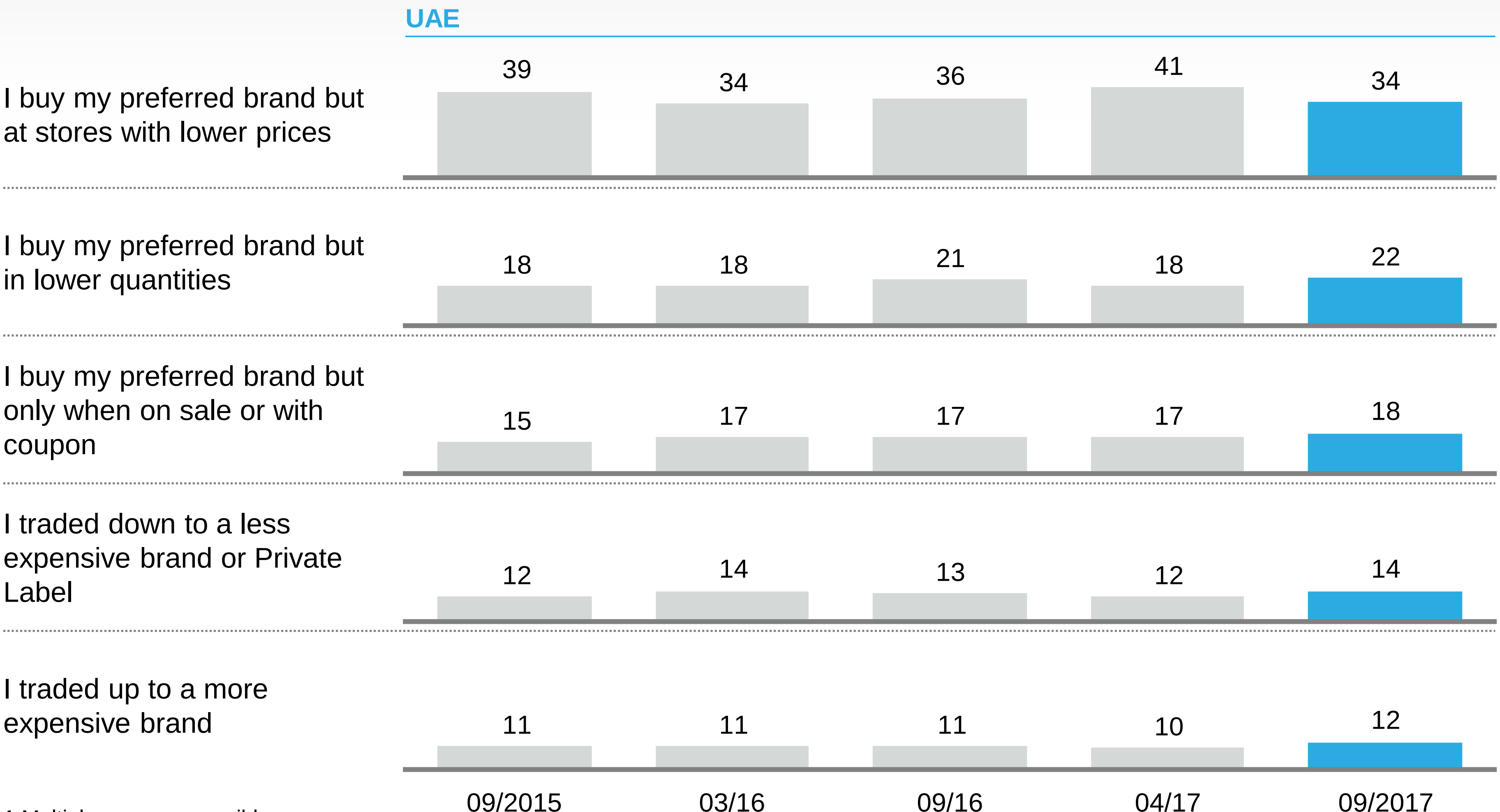


SOURCE: McKinsey 2016-2018 McKinsey Global Sentiment Survey

UAE consumers are generally brand loyal IF the price is right

Changes in buying behavior in the last year among those who changed buying behavior

Weighted average for categories in basket, Percent



1 Multiple answers possible

SOURCE: McKinsey 2016-2018 McKinsey Global Sentiment Survey

Consumers are brand loyal across most categories, and look for ways to buy their preferred brands for less

Changes in buying behavior in the last year among those who changed buying behavior,
Weighted average for categories in basket, Percent

09/2016 | 04/2017 | 09/2017

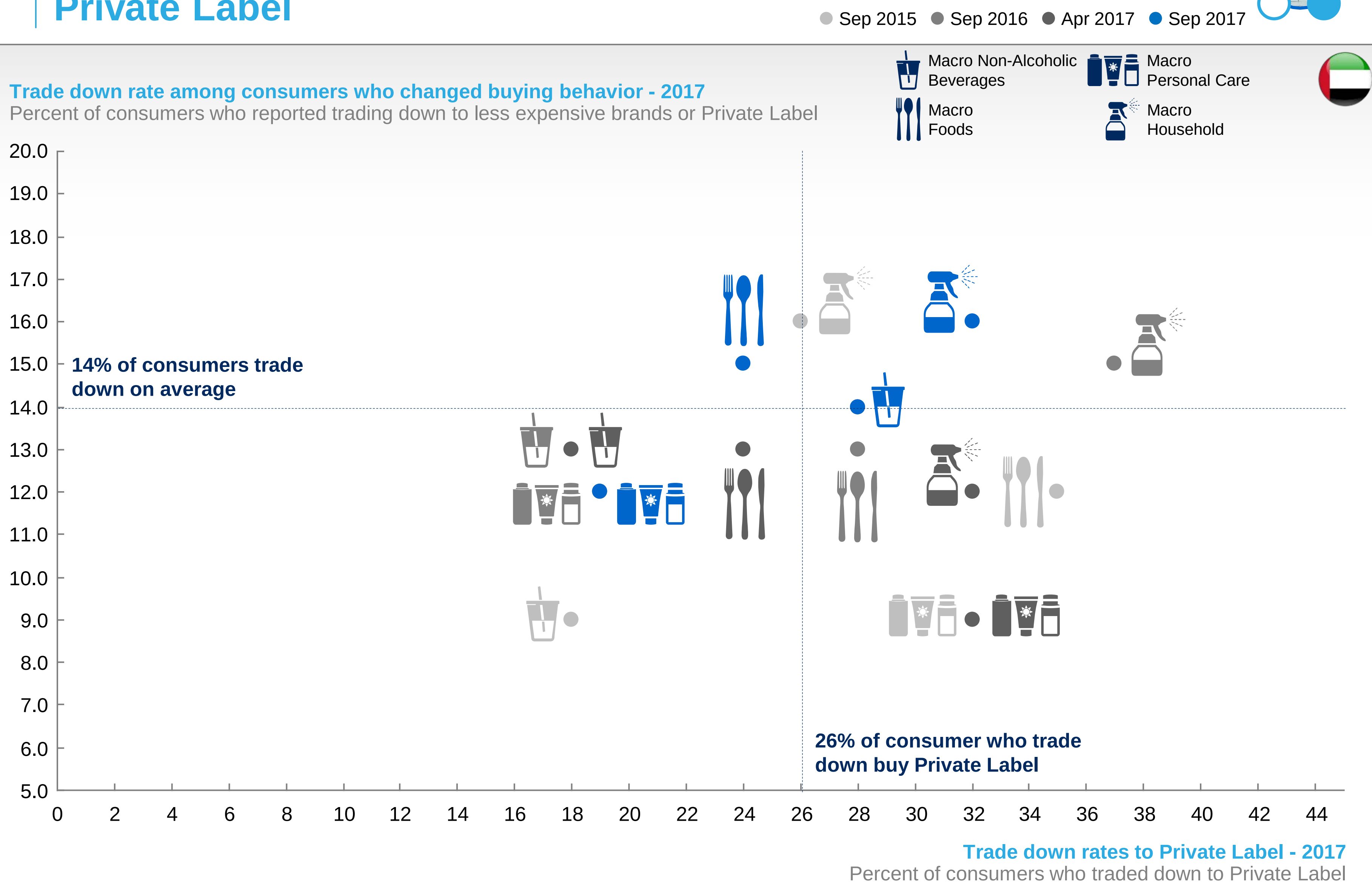
Macro category

			Food	Non alcoholic beverage	Personal care	Household products
I buy my preferred brand but at stores with lower prices	09/2017	34	33	36	33	36
	04/2017	41	38	44	43	44
	09/2016	36	35	39	36	39
I buy my preferred brand but in lower quantities	09/2017	22	24	23	18	18
	04/2017	18	20	20	12	16
	09/2016	21	23	21	18	16
I buy my preferred brand but only when on sale or with coupon	09/2017	18	19	15	22	23
	04/2017	17	18	13	19	22
	09/2016	17	18	14	19	23
I traded down to a less expensive brand or Private Label	09/2017	14	15	14	12	16
	04/2017	12	13	13	9	12
	09/2016	13	13	14	12	14
I traded up to a more expensive brand	09/2017	12	10	12	17	9
	04/2017	10	9	8	14	6
	09/2016	11	10	9	15	7
I made another change	09/2017	8	8	8	8	7
	04/2017	9	9	8	10	7
	09/2016	8	9	9	8	7

1 Multiple answers possible

SOURCE: McKinsey 2017-2018 McKinsey Global Sentiment Survey

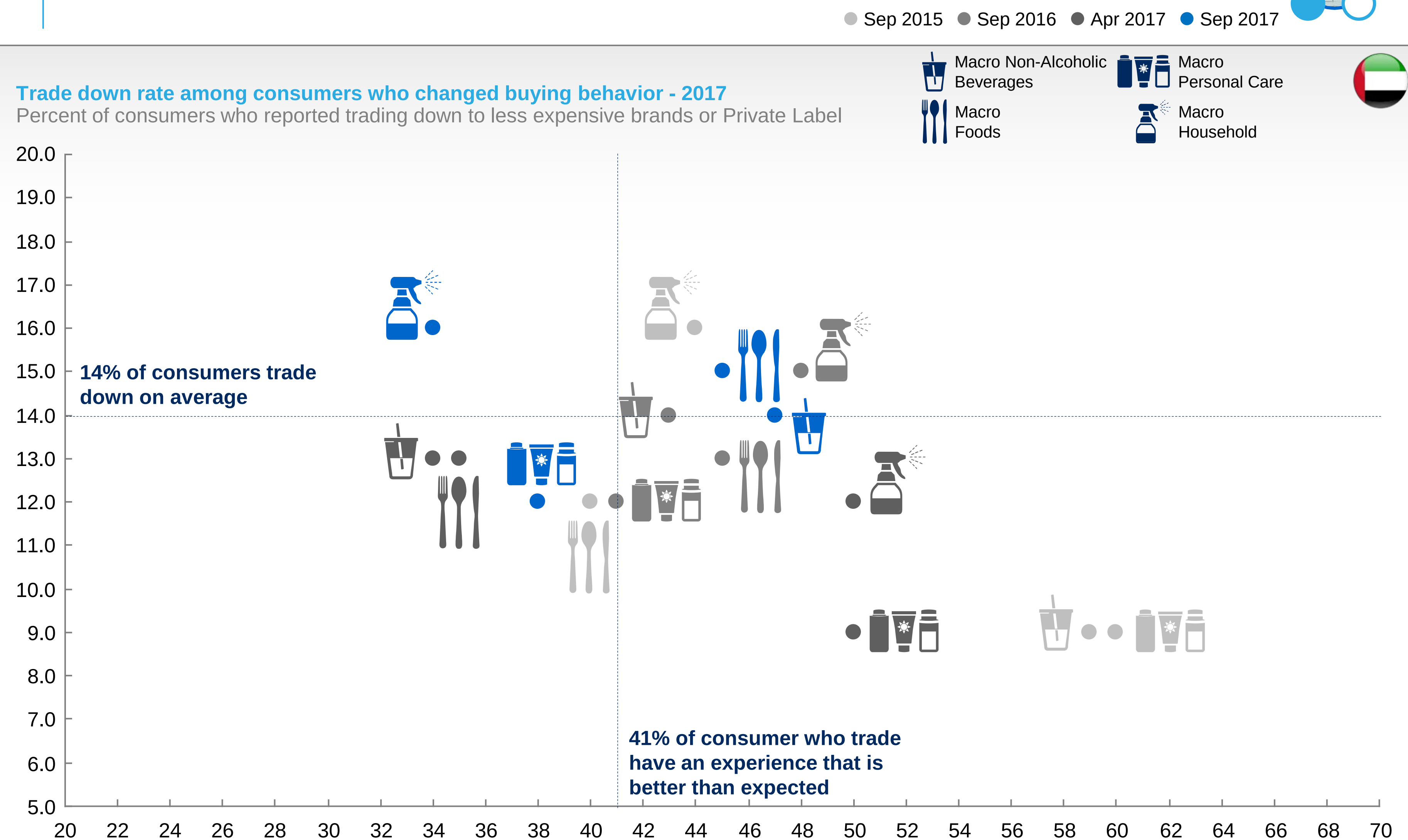
14% of consumers trade down overall; 26% of this group buy Private Label



SOURCE: McKinsey 2016-2018 McKinsey Global Sentiment Survey

On average, 41% of trade down leads to happy consumers

Trade down rate among consumers who changed buying behavior - 2017
Percent of consumers who reported trading down to less expensive brands or Private Label



Experience better than expected- 2017
Percent of consumers who traded down reporting an experience better than expected

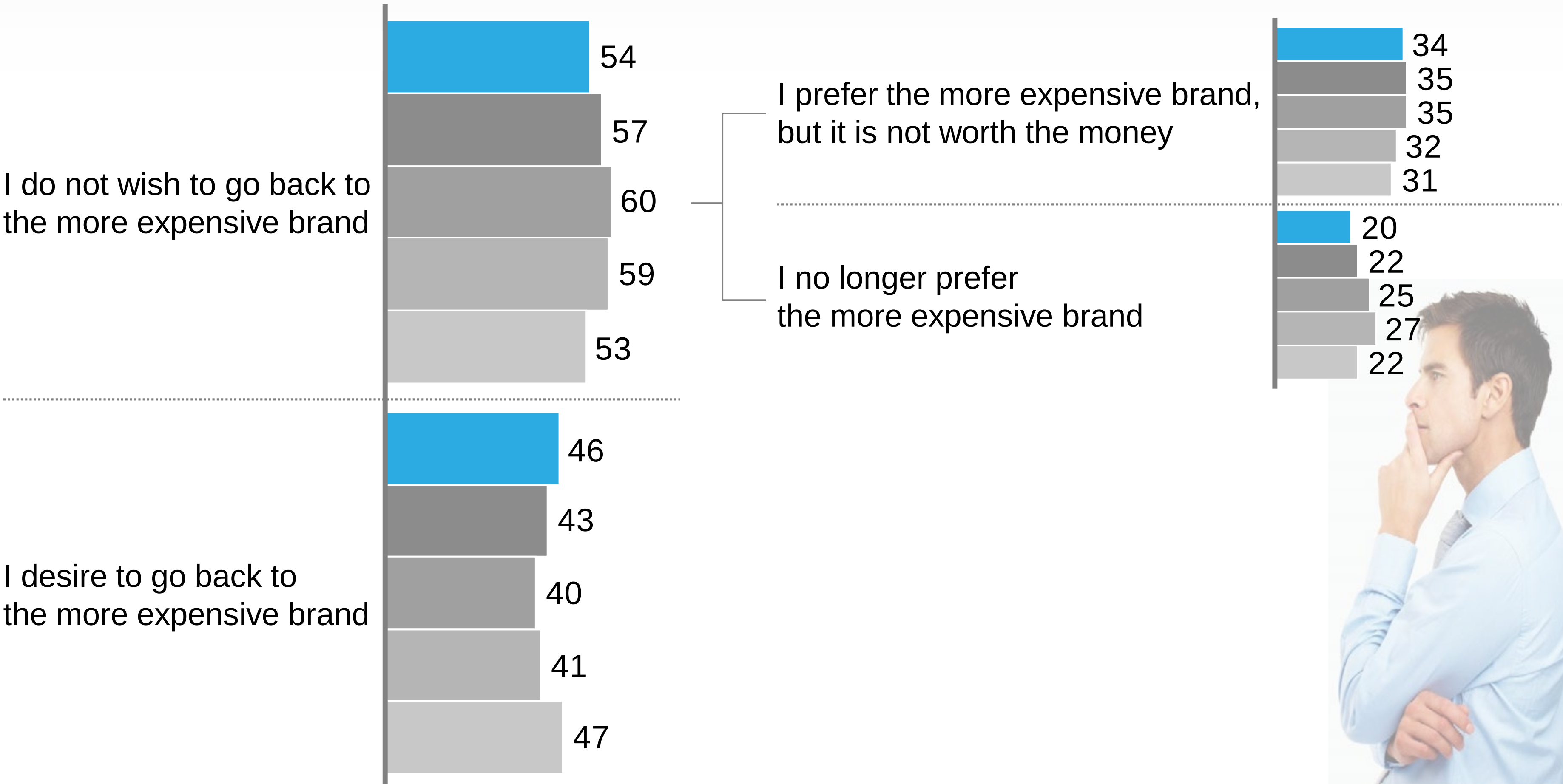
SOURCE: McKinsey 2016-2018 McKinsey Global Sentiment Survey

54% of consumers do not intend to return to the more expensive brand

How are you feeling about your current purchases of less expensive brands

Percent

UAE



SOURCE: McKinsey 2016-2018 McKinsey Global Sentiment Survey

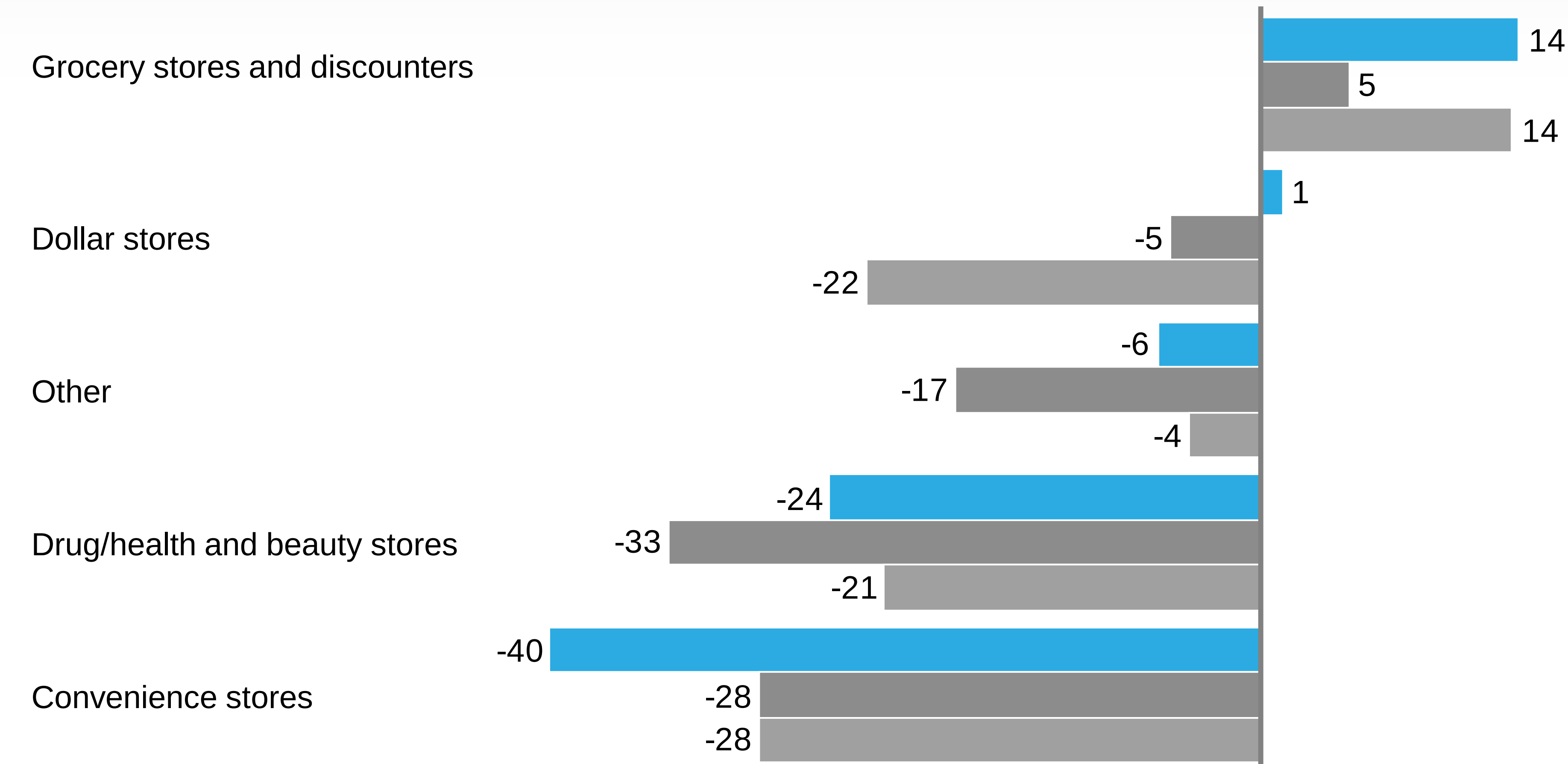
09/2016 04/2017 09/2017

UAE consumers report channel shifting towards discounters and grocery stores

Net change in household spending by channel cluster[1]

Based on stated behavior, Percent, last 12 months

UAE



1 channels listed as n/a were not included in the geography or had insufficient sample

SOURCE: McKinsey 2017-2018 McKinsey Global Sentiment Survey

Content

Surveys conducted in Egypt are balanced by gender, age, and income

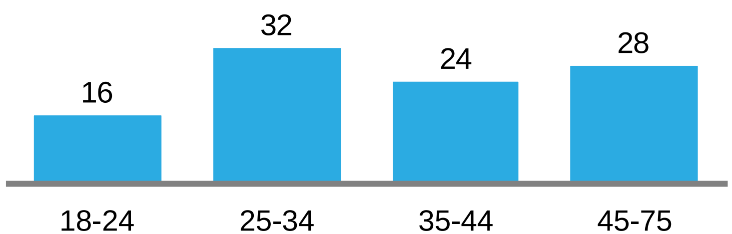
1,000

Respondents[1]

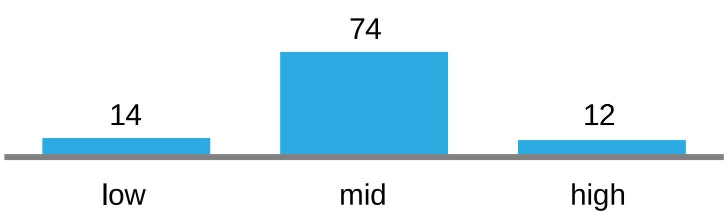
All respondents are balanced by gender, age, and income[2]

69% | 32%

Age, percent

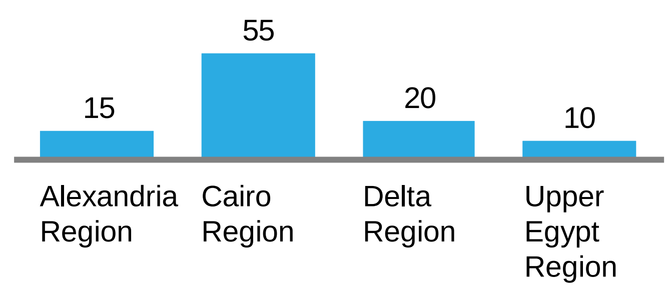


Income, percent



Additional split by region

Region, percent



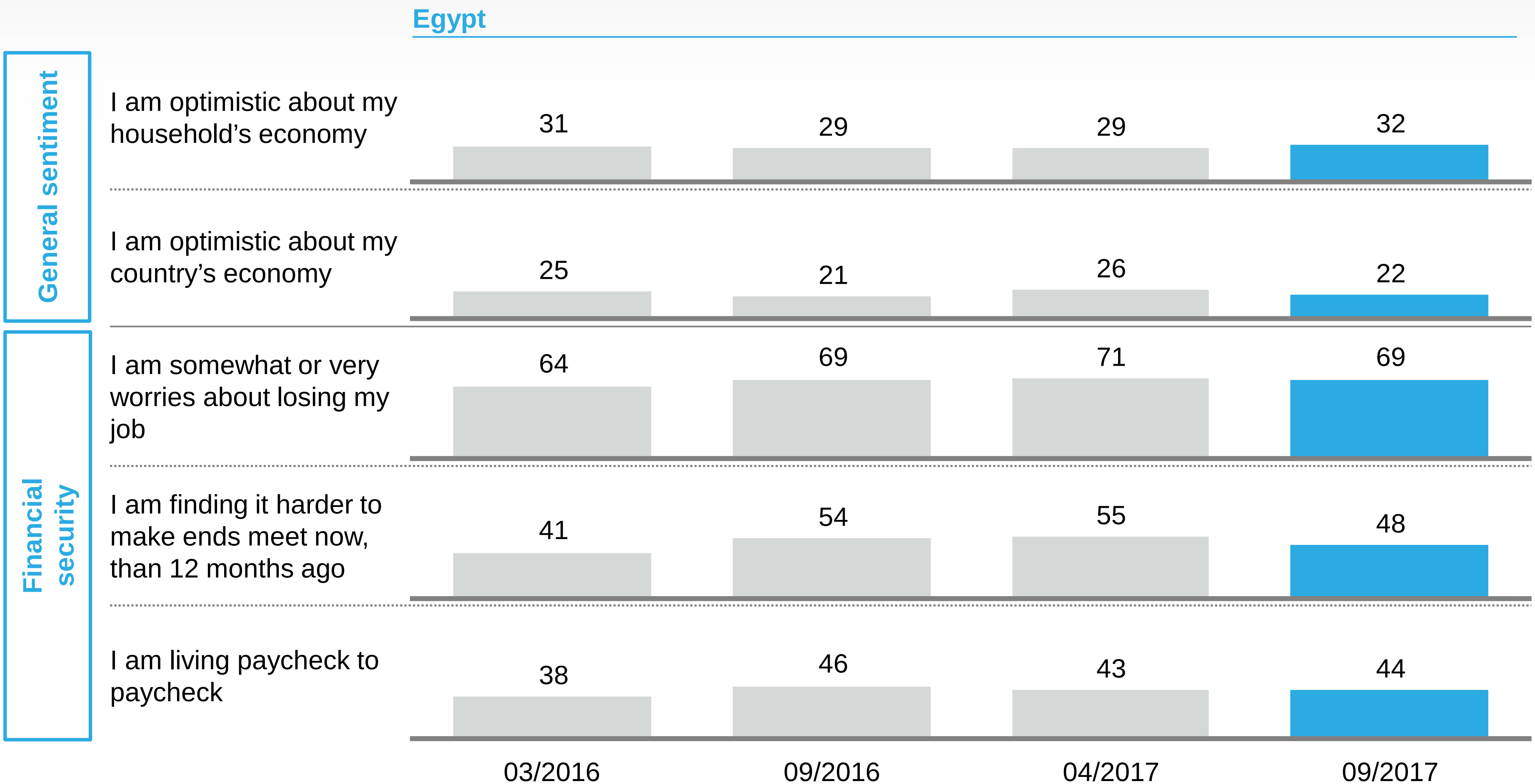
[1] 706 respondents in April 2017, 1,000 in September 2016, 702 in March 2016
[2] weighted percentages

SOURCE: McKinsey 2016-2018 McKinsey Global Sentiment Survey

Egyptian consumers feel slightly more financially secure today than in Spring 2017

Consumers sentiment

Percent of people agreeing/strongly agreeing with each statement

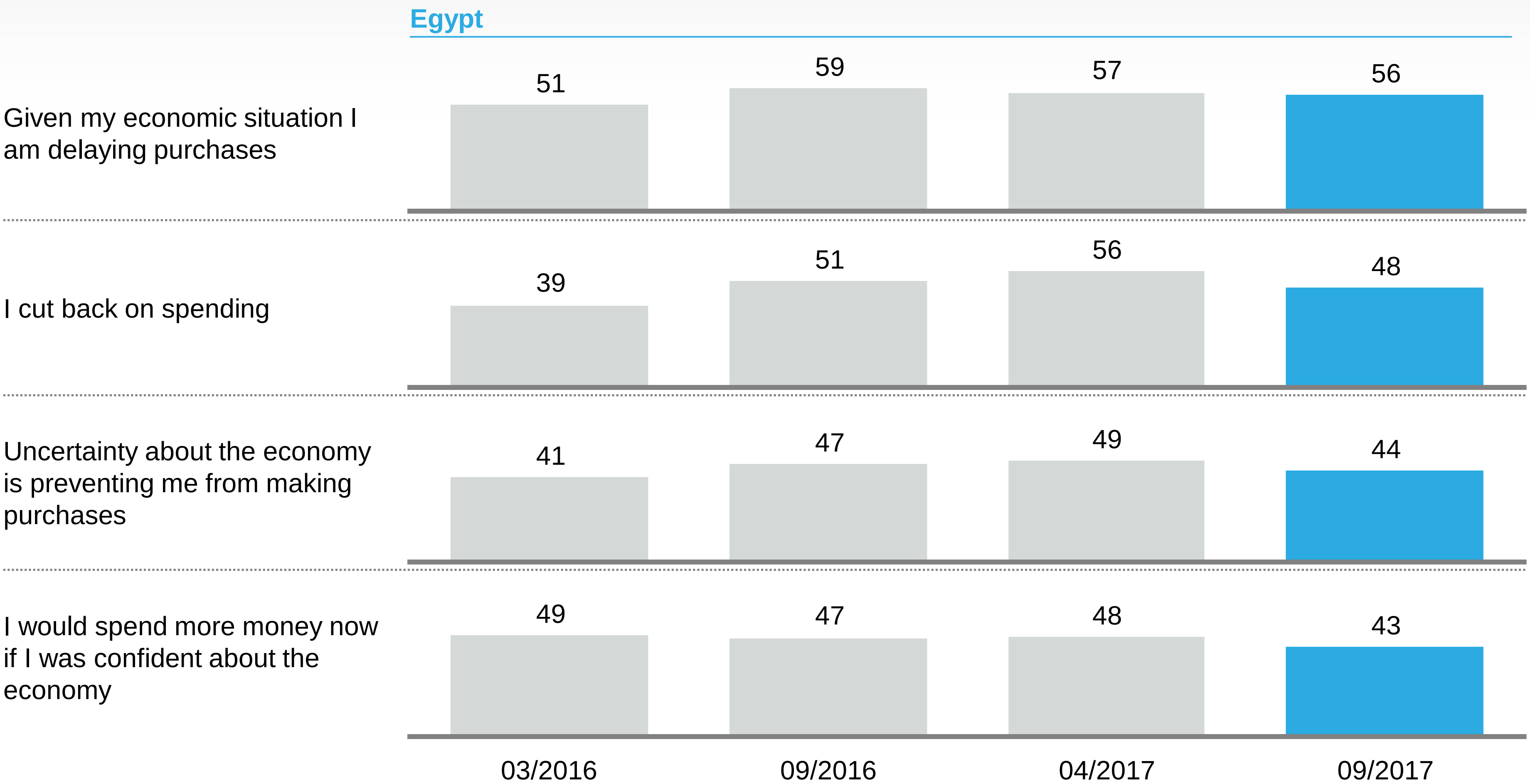


SOURCE: McKinsey 2017-2018 McKinsey Global Sentiment Survey

Fewer consumers are cautious spenders today than in April 2017

Consumers sentiment

Percent of people agreeing/strongly agreeing with each statement



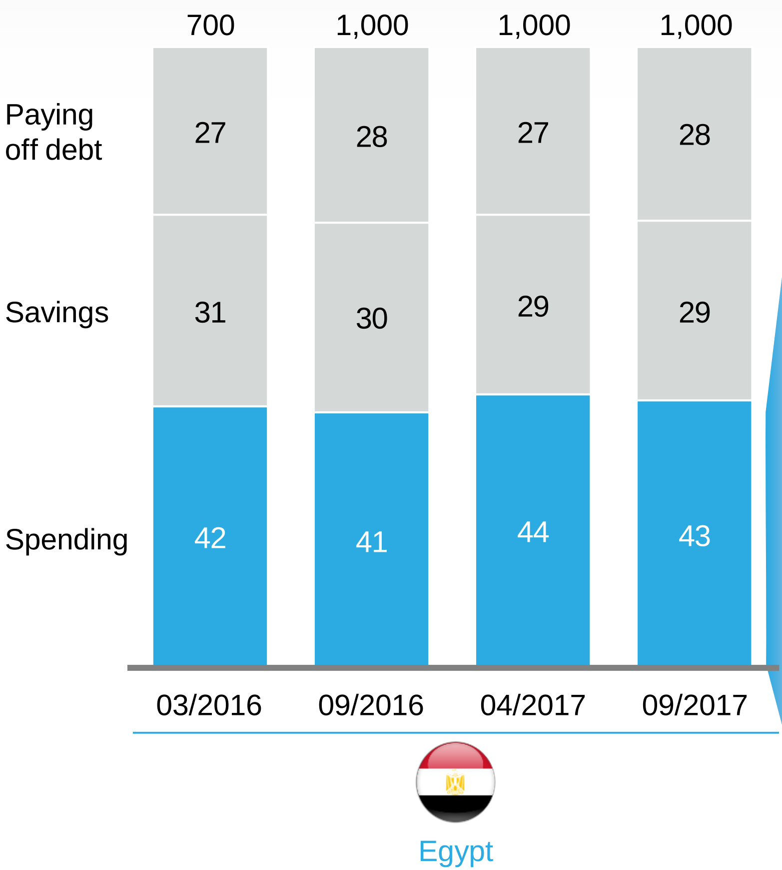
SOURCE: McKinsey 2017-2018 McKinsey Global Sentiment Survey

Egyptian consumers plan to spend 43% of additional income-mainly on everyday needs, clothing, and education

Extra money allocated toward spending

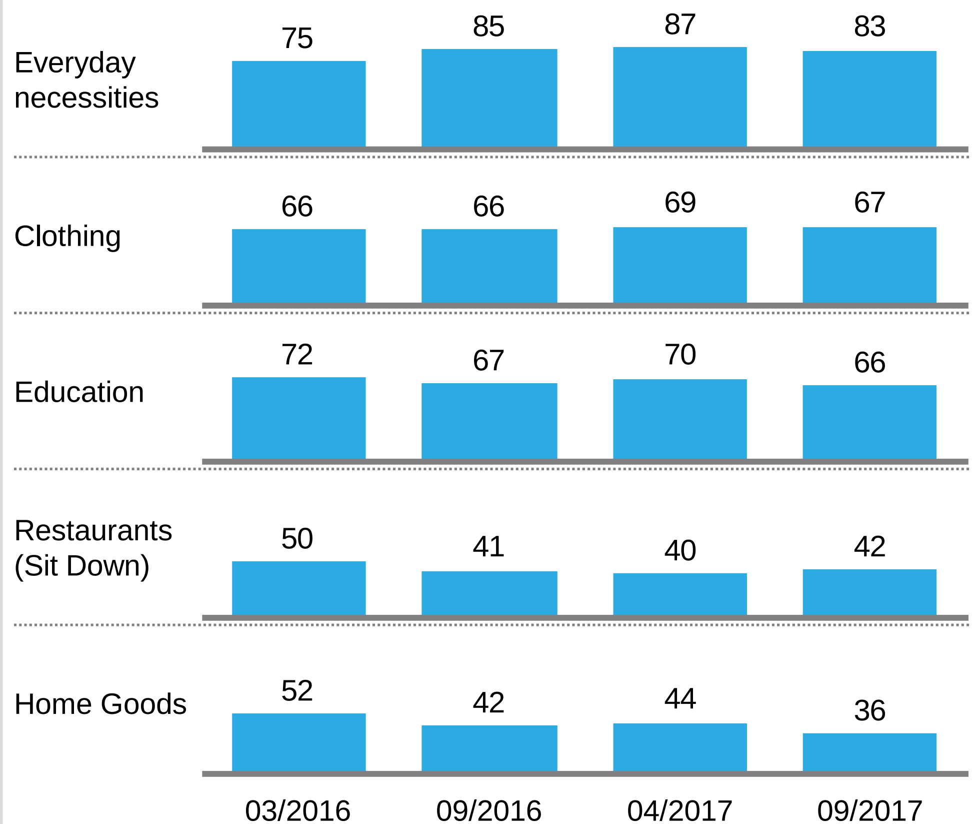
If I earned 10% more next year, I would put it towards

Percent



Top 5 priorities for consumers wishing to allocate additional spending[1]

Percent of consumers likely or very likely



1 Other categories not listed in the top 5 for Egypt are Restaurants (Take Out) (40), Home/Housing/Real Estate (33), Major Appliances (32), Entertainment (28), Gifts (27), Vehicles (24), High-End Designer/Luxury Products (23), Pet Care (13)

SOURCE: McKinsey 2017-2018 McKinsey Global Sentiment Survey

5 truths about today's consumers in Egypt

1 Savvy cost-cutters

All consumers find creative ways to spend less and save money: 56% of consumers are looking for sales and promotions

2 Thrifty brand loyalists

74% of consumers in Egypt changed their consumer buying habits to save: 36% of consumers look to buy their preferred brands at stores with lower prices

3 Selective splurgers

Consumers trade down in large numbers (17%) while 10% trade up

4 Trade-down converts

36% of trade down leads to happy consumers and only 47% of consumers desire to go back to their old brands

5 Multichannel shoppers

Consumers in the region shift spending towards discounters and club stores

SOURCE: McKinsey 2017-2018 McKinsey Global Sentiment Survey

Egyptian consumers are finding creative ways to spend less and save money

Consumers agreeing/strongly agreeing over the last 12 months
Percent

Egypt

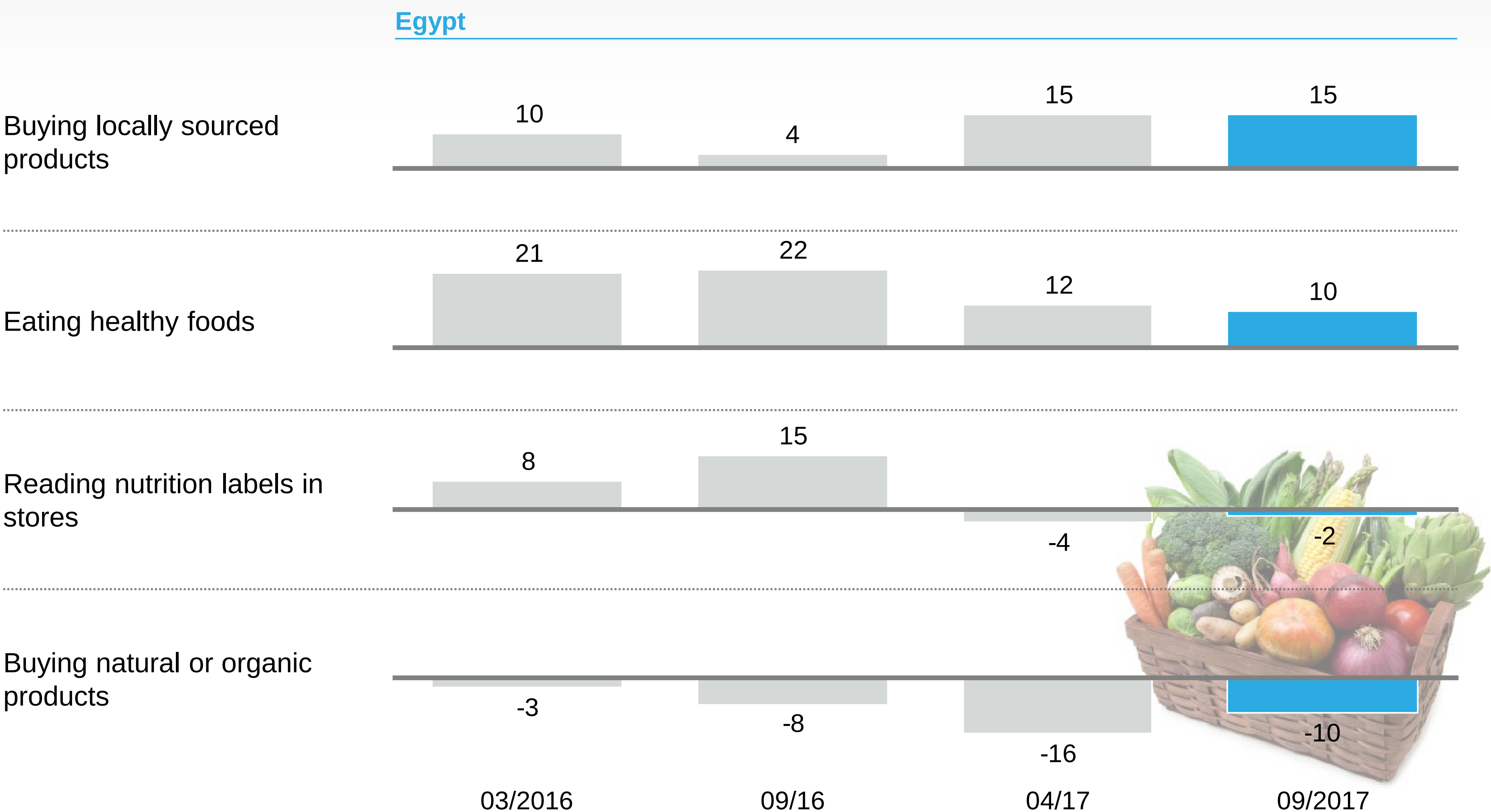
	03/2016	09/16	04/17	09/2017
I am increasingly looking for ways to save money	57	61	60	56
I am delaying purchases	51	59	57	56
I am looking for sales and promotion	49	56	61	56
I am paying more attention to prices	44	51	51	51
I shop around to get the best deals	48	51	53	49
I wait for products to go on sale	39	41	45	43
I use coupons and loyalty cards more often	24	25	27	29
I buy more in bulk	34	36	33	28

SOURCE: McKinsey 2017-2018 McKinsey Global Sentiment Survey

Consumers buy locally sourced products and continue their quest to eat healthy food

Net changes in eating habits in the last 12 months

Difference between doing more and doing less, Percent



SOURCE: McKinsey 2017-2018 McKinsey Global Sentiment Survey

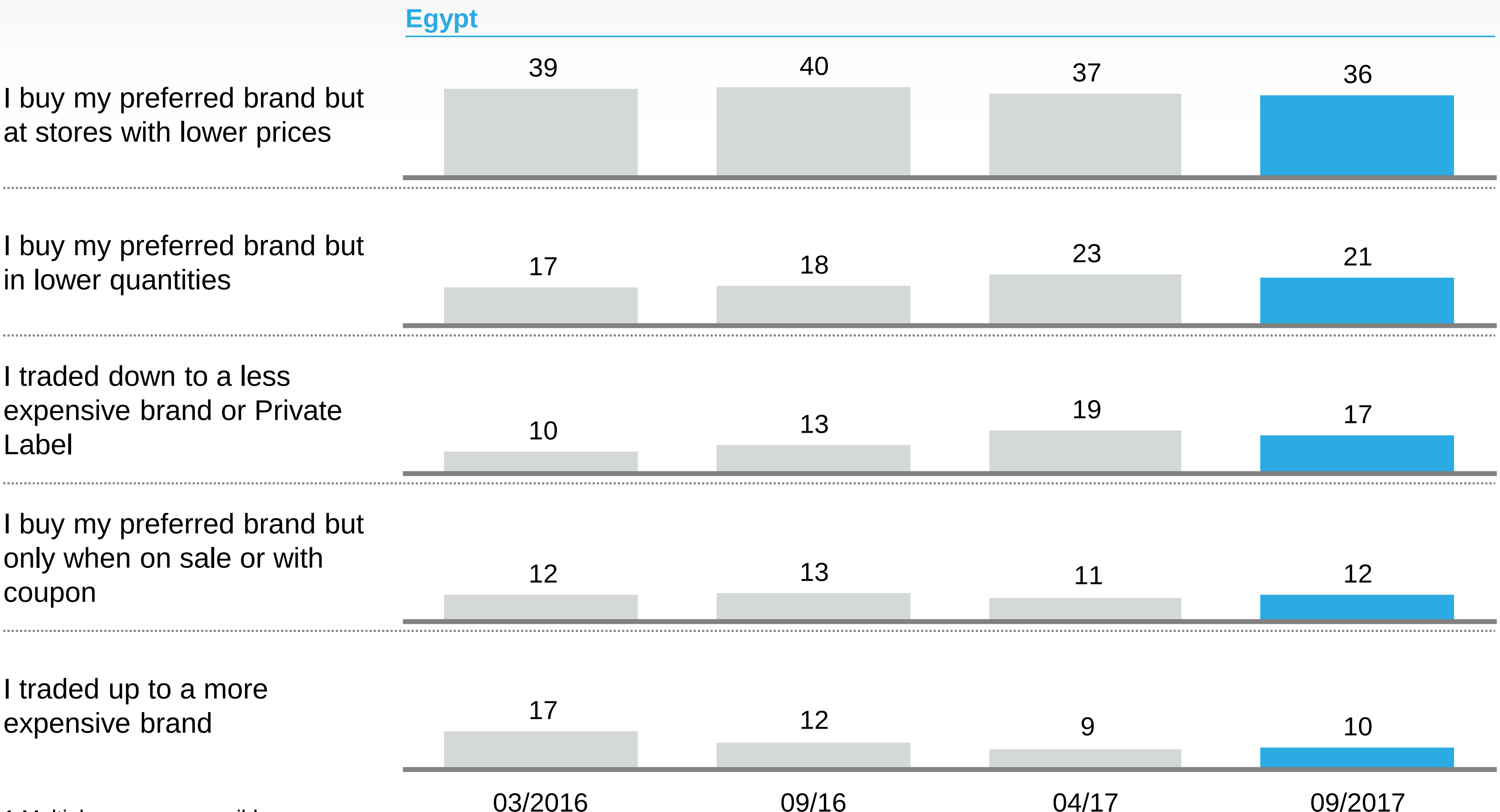
2

Thrifty brand loyalists

Egyptian consumers are generally brand loyal IF the price is right

Changes in buying behavior in the last year among those who changed buying behavior

Weighted average for categories in basket, Percent



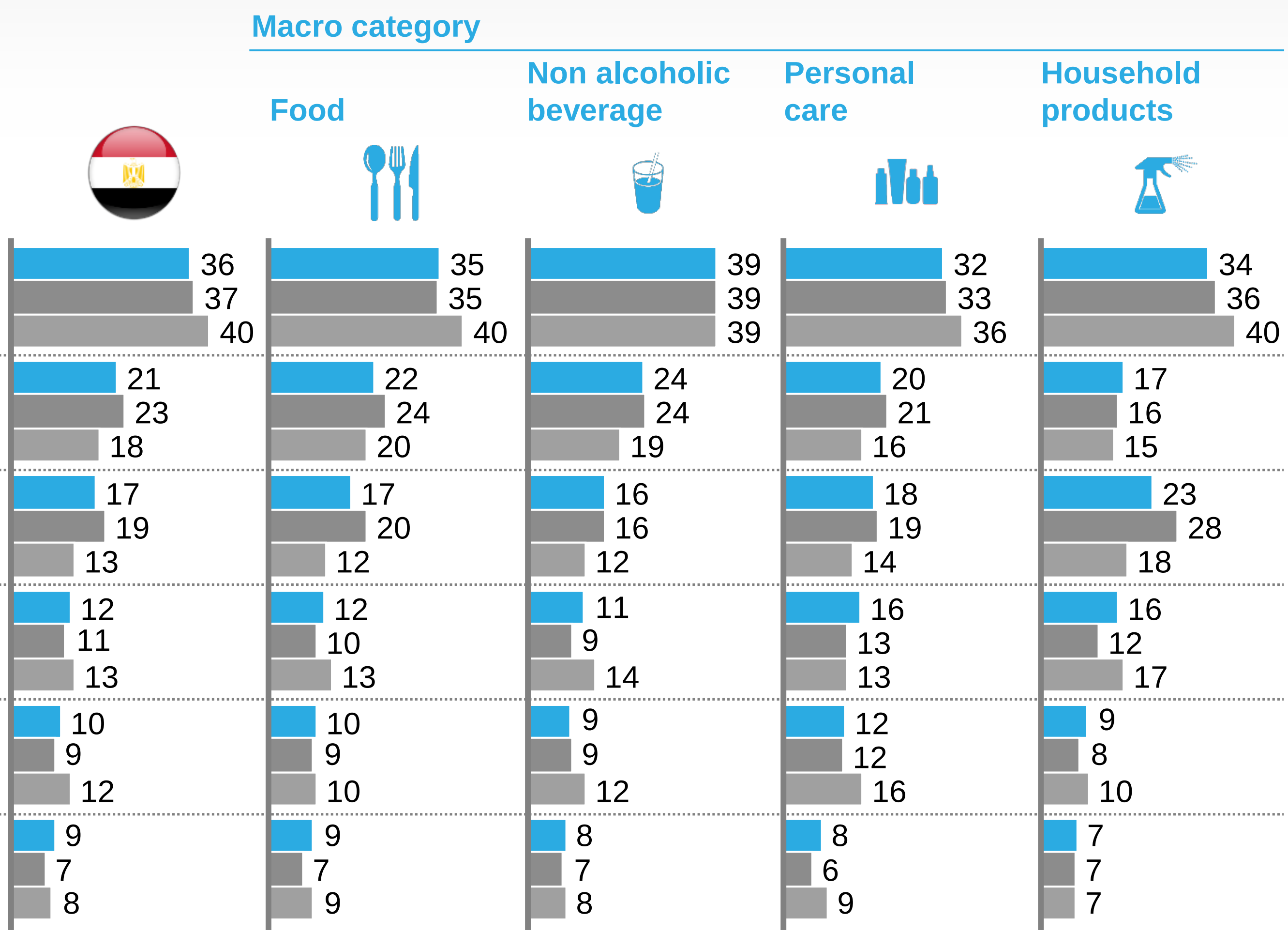
1 Multiple answers possible

SOURCE: McKinsey 2017-2018 McKinsey Global Sentiment Survey

Thrifty brand loyalists

2 Consumers look for ways to buy their preferred brands for less and are willing to trade down especially in household products

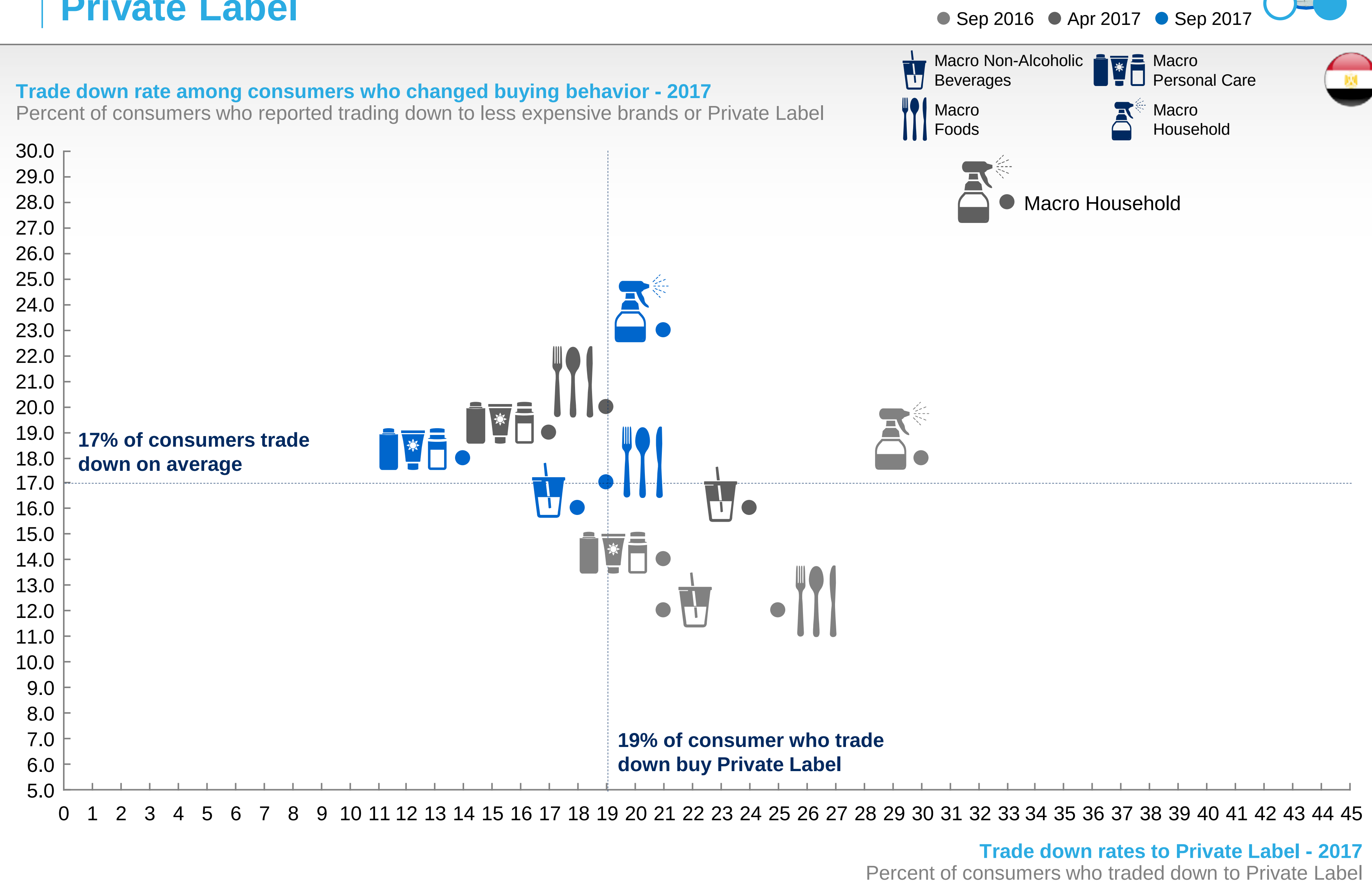
Changes in buying behavior in the last year among those who changed buying behavior,
Weighted average for categories in basket, Percent



1 Multiple answers possible

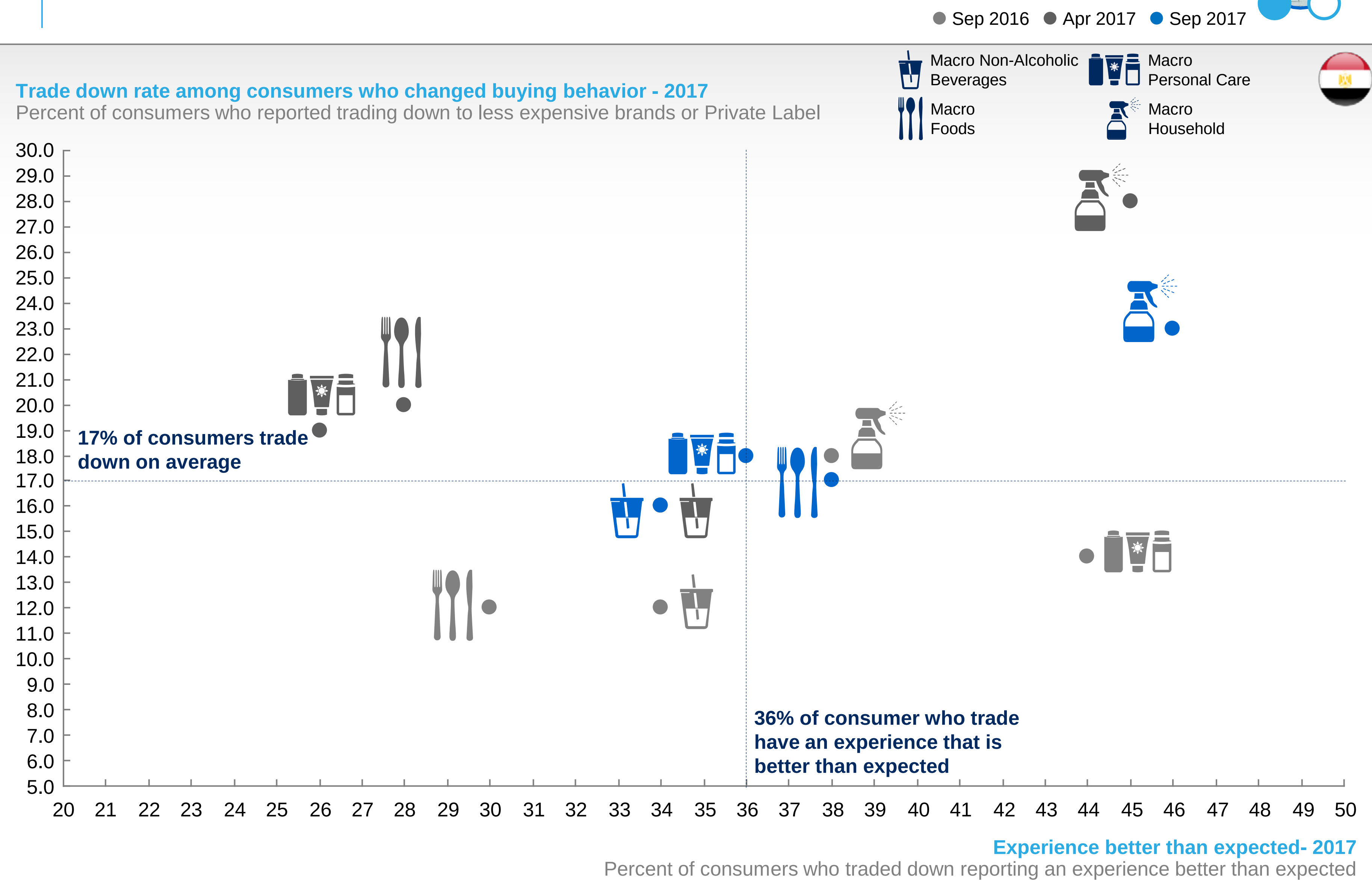
SOURCE: McKinsey 2017-2018 McKinsey Global Sentiment Survey

17% of consumers trade down overall; 19% of this group buy Private Label



SOURCE: McKinsey 2017-2018 McKinsey Global Sentiment Survey

On average, 36% of trade down leads to happy consumers

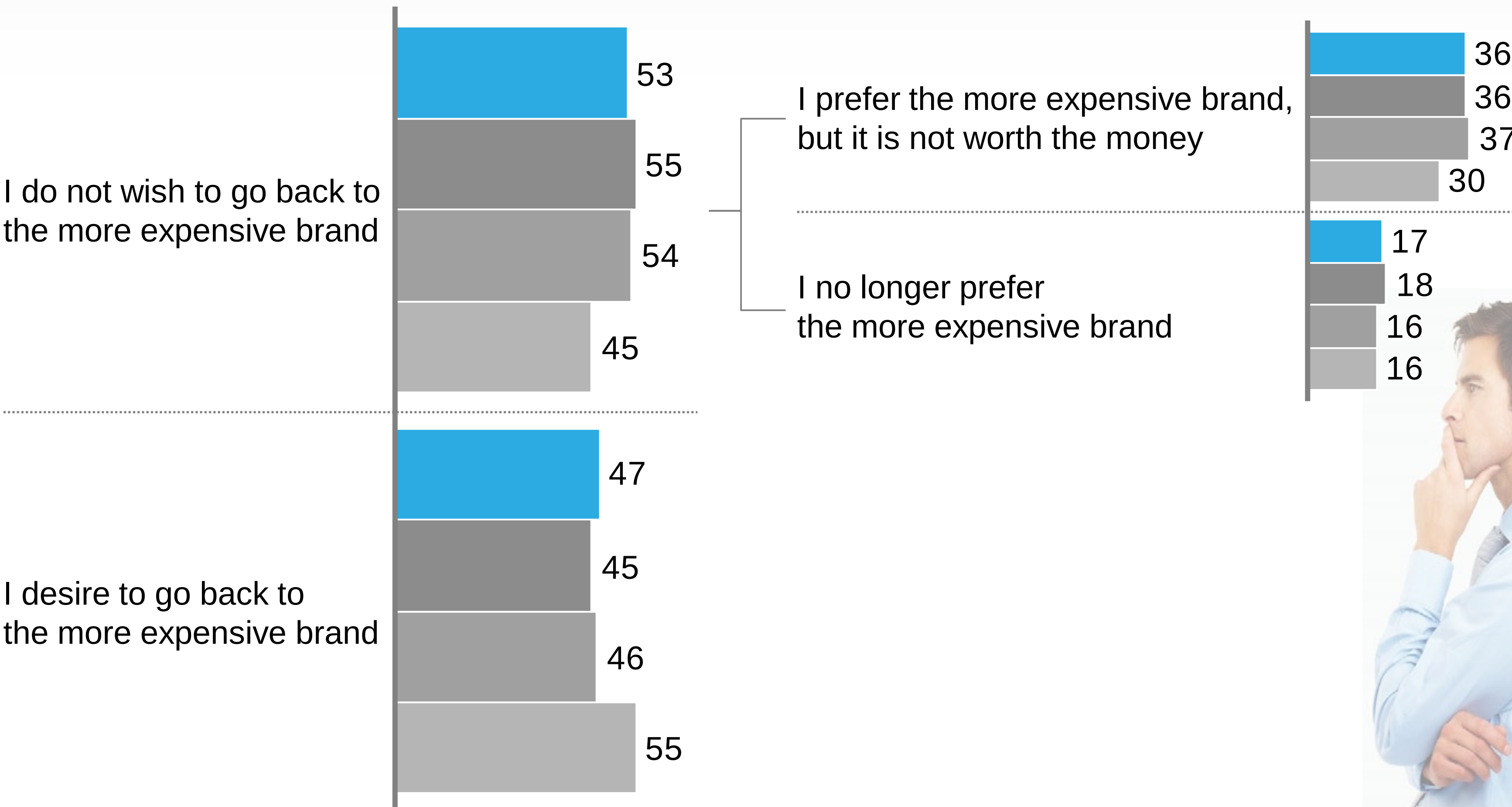


SOURCE: McKinsey 2017-2018 McKinsey Global Sentiment Survey

53% of consumers do not intend to return to the more expensive brand

How are you feeling about your current purchases of less expensive brands
Percent

Egypt

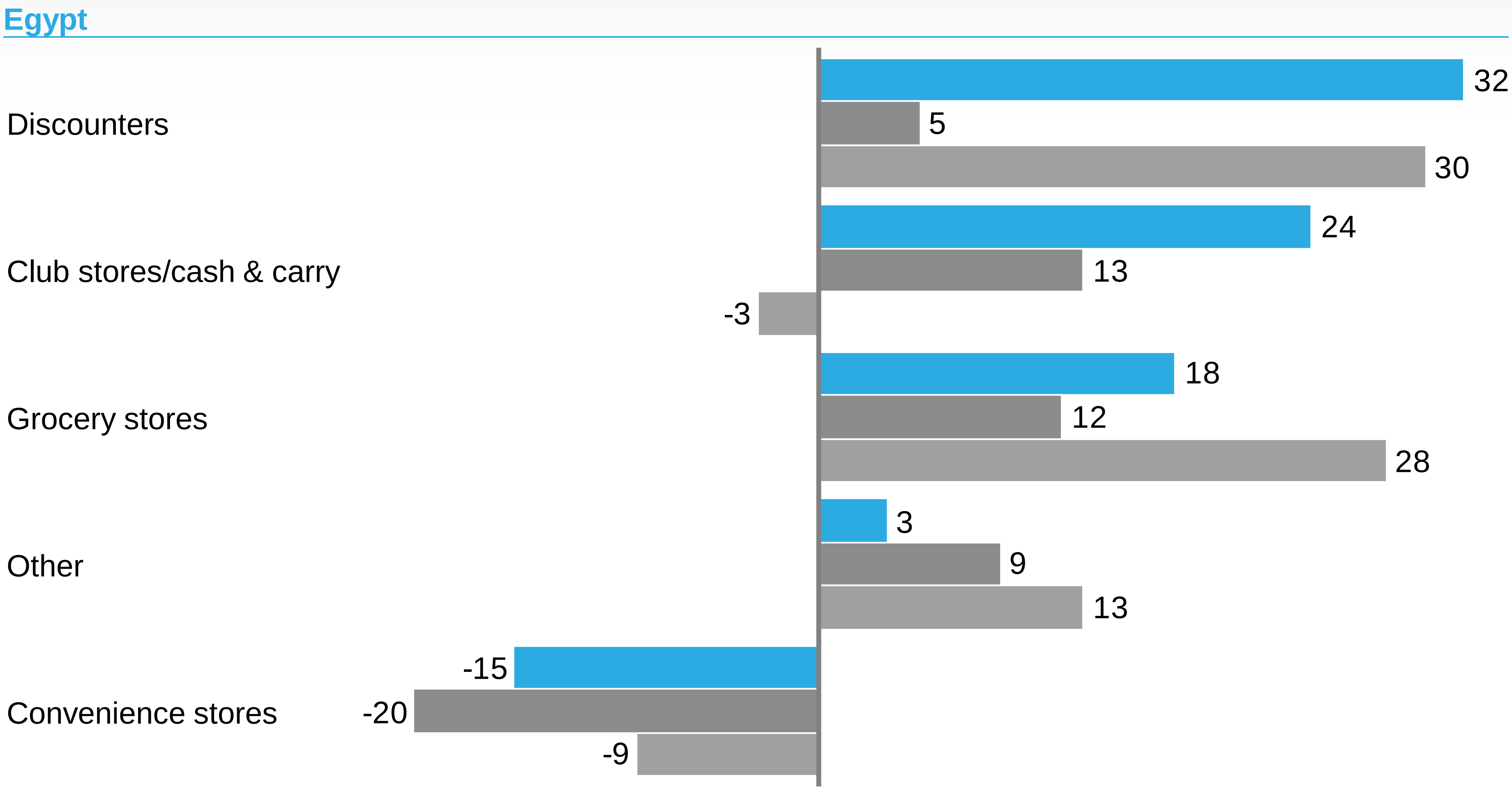


SOURCE: McKinsey 2017-2018 McKinsey Global Sentiment Survey

Egyptian consumers are shifting their spending towards discounters and club stores

Net change in household spending by channel cluster[1]

Based on stated behavior, Percent, last 12 months



1 other includes fresh food markets and mom & pop stores

SOURCE: McKinsey 2017-2018 McKinsey Global Sentiment Survey

Content

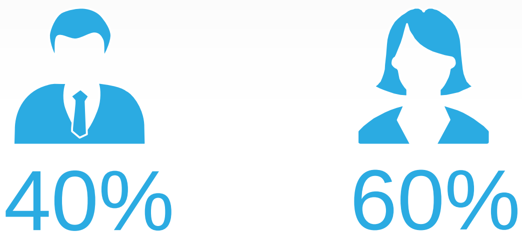
- Overview of the survey
- Saudi results
- UAE results
- Egypt results
- **Pakistani results**

In-person surveys conducted in Pakistan are balanced by gender, age, and income

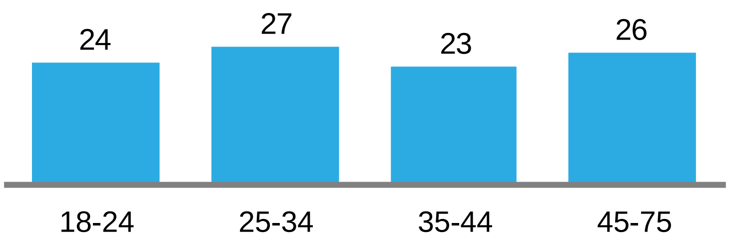
1,000

Respondents[1]

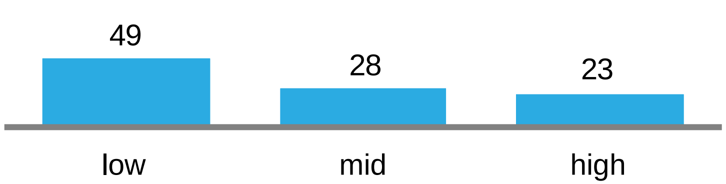
All respondents are balanced by gender, age, and income[1]



Age, percent

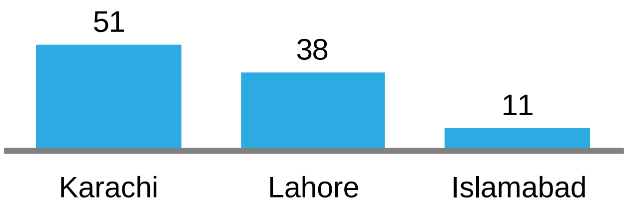


Income, percent



Additional split by region

Region, percent



1 weighted percentages

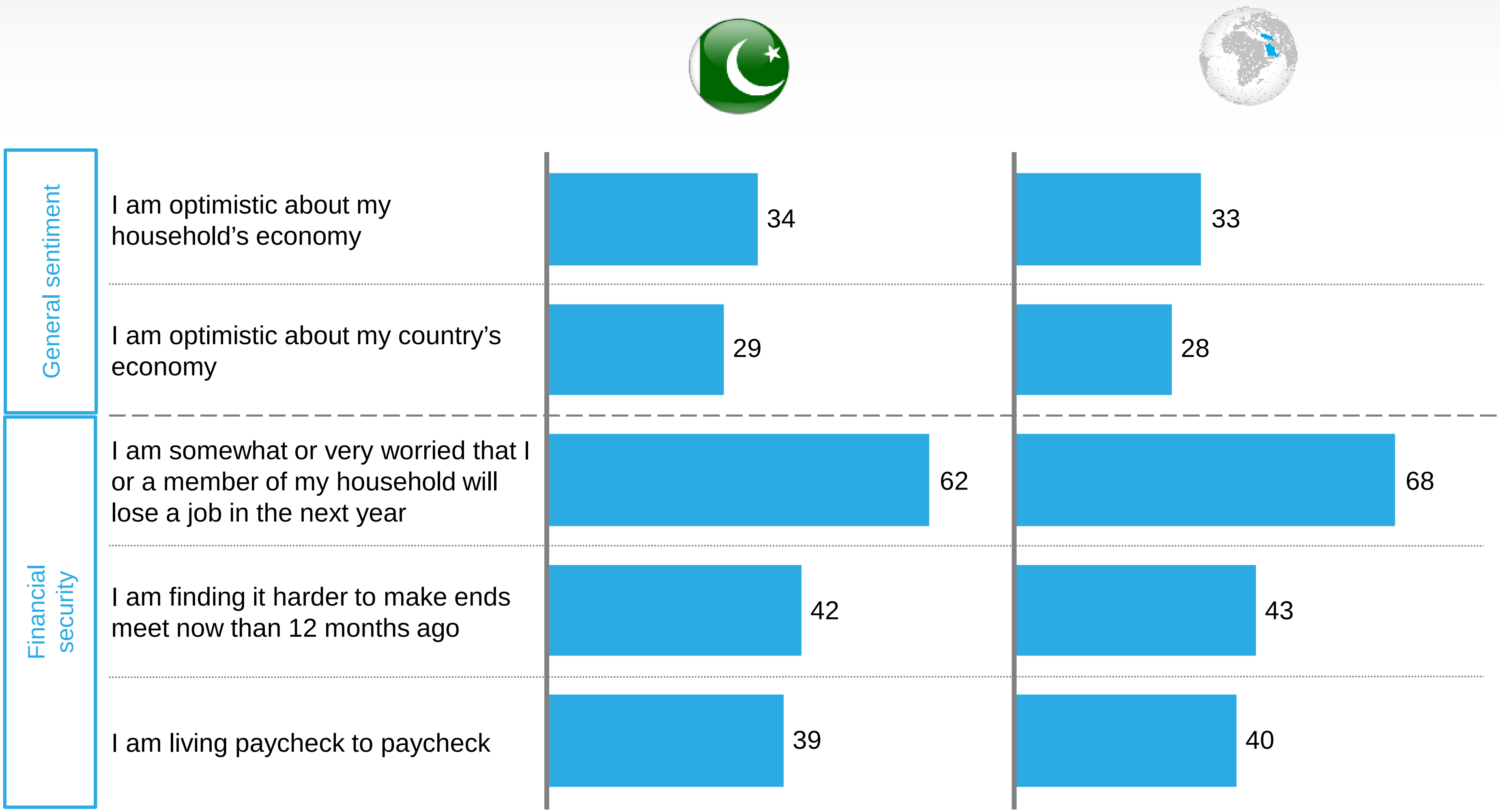
SOURCE: McKinsey 2018 McKinsey Global Sentiment Survey

Feelings of financial security in Pakistan is similar to that in the broader region

Consumers sentiment

Percent of people agreeing/strongly agreeing with each statement, September 2017

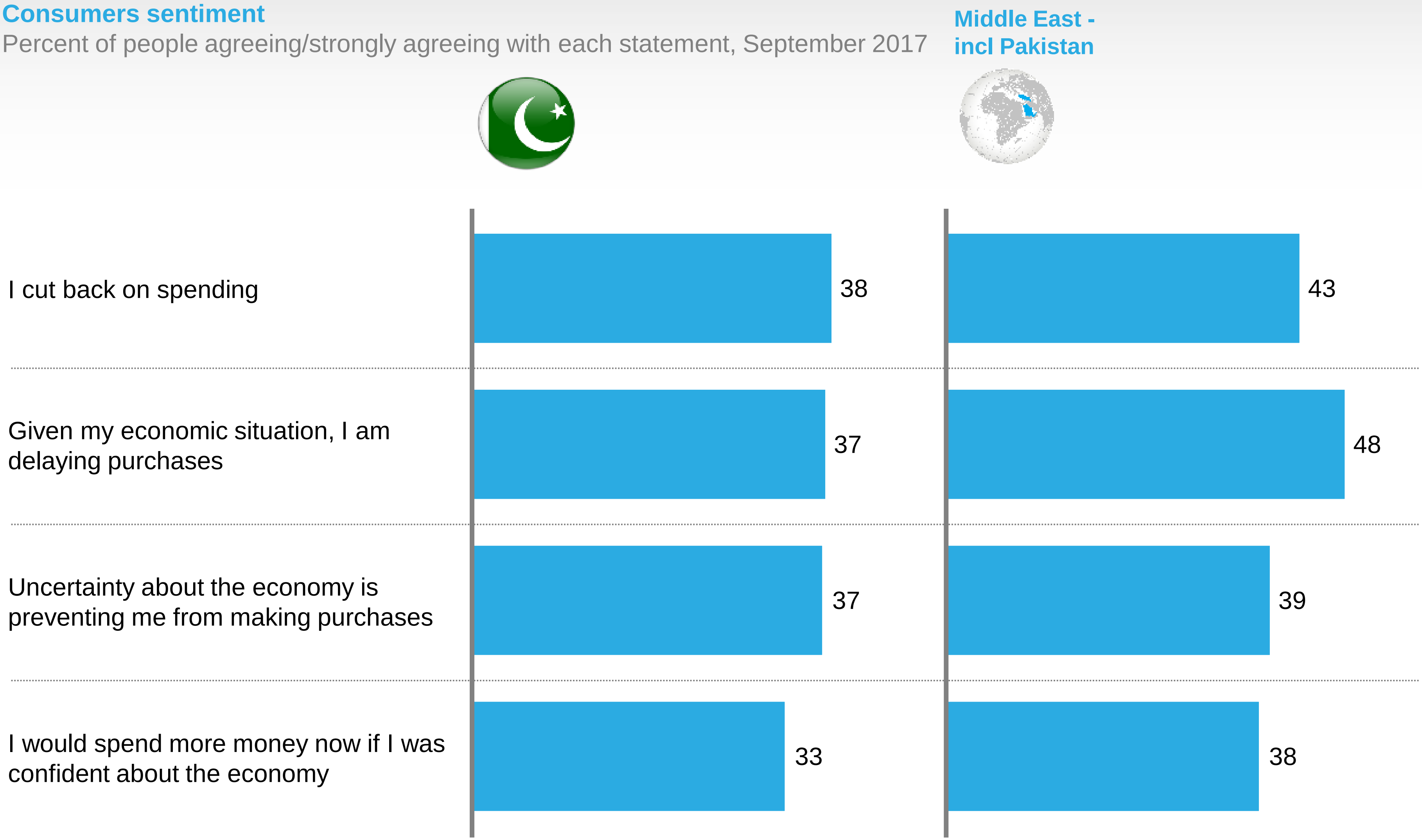
Middle East - incl Pakistan



Pakistani consumers are more bullish in their spending

Consumers sentiment

Percent of people agreeing/strongly agreeing with each statement, September 2017



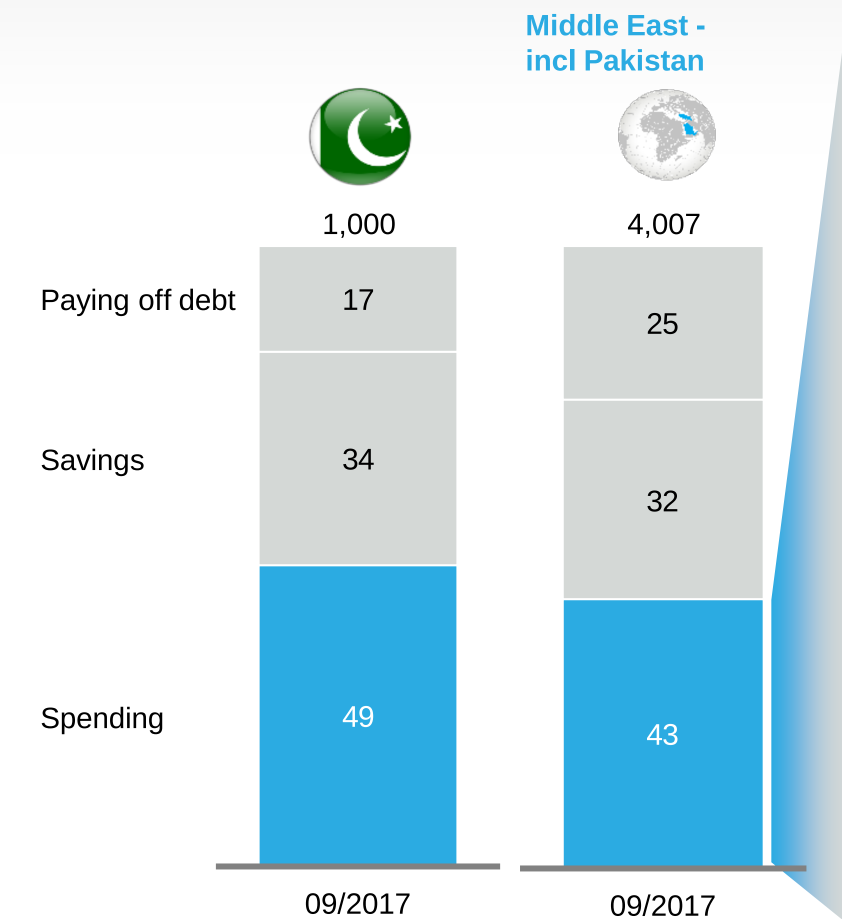
SOURCE: McKinsey 2018 Global Sentiment Survey

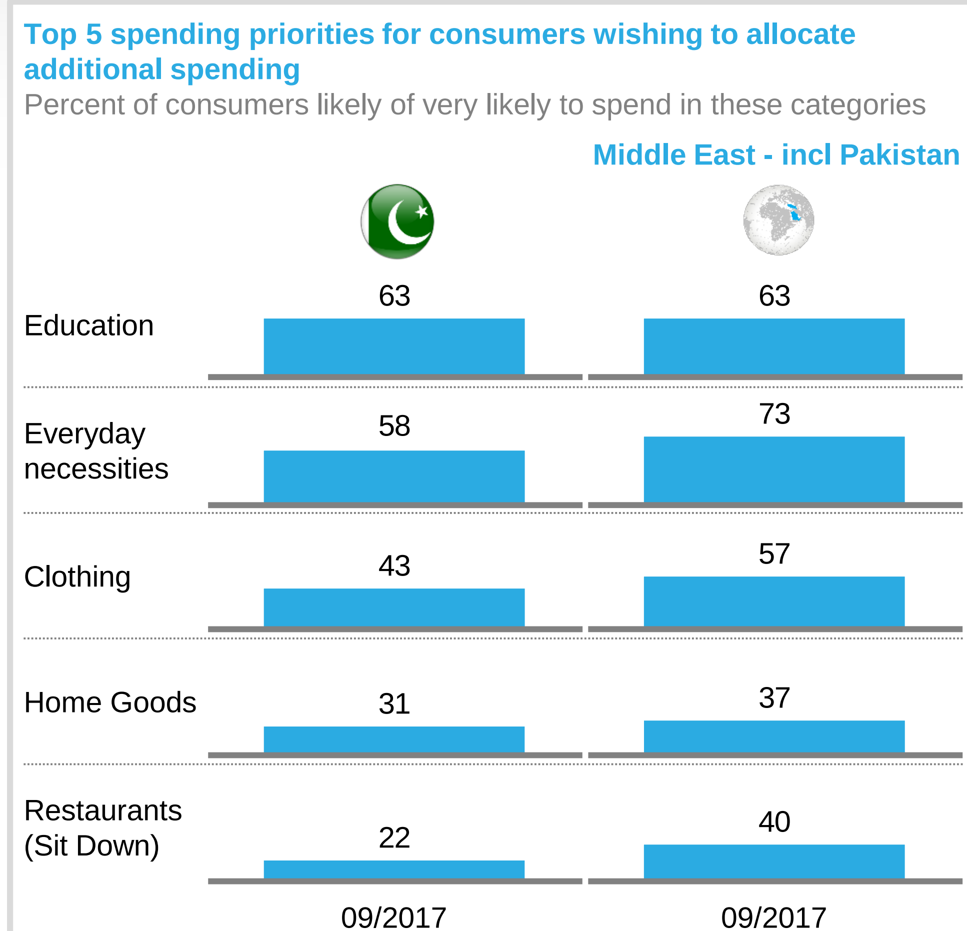
Pakistani consumers plan to spend 49% of additional income- most spending would go towards education and everyday necessities

Extra money allocated toward spending

If I earned 10% more next year, I would put it towards

Percent, September 2017





1 Other categories not listed in the Top 5 for Pakistan are Home/Housing/Real Estate (17), Gifts (16), Restaurants (Sit Down) (16), High-End Designer/Luxury Products (16), Vehicles (14), Restaurants (Take Out) (14), Vacations (11), Pet Care (10), Entertainment (8)

SOURCE: McKinsey 2018 Global Sentiment Survey

5 truths about today's consumers in Pakistan

1 Savvy cost-cutters

All consumers find creative ways to spend less and save money: 36% are paying more attention to prices

2 Thrifty brand loyalists

54% of consumers in Pakistan changed their consumer buying habits to save: 29% of consumers look to buy their preferred brands at stores with lower prices

3 Selective splurgers

Few Pakistani trade down (4%) while 10% trade up

4 Multichannel shoppers

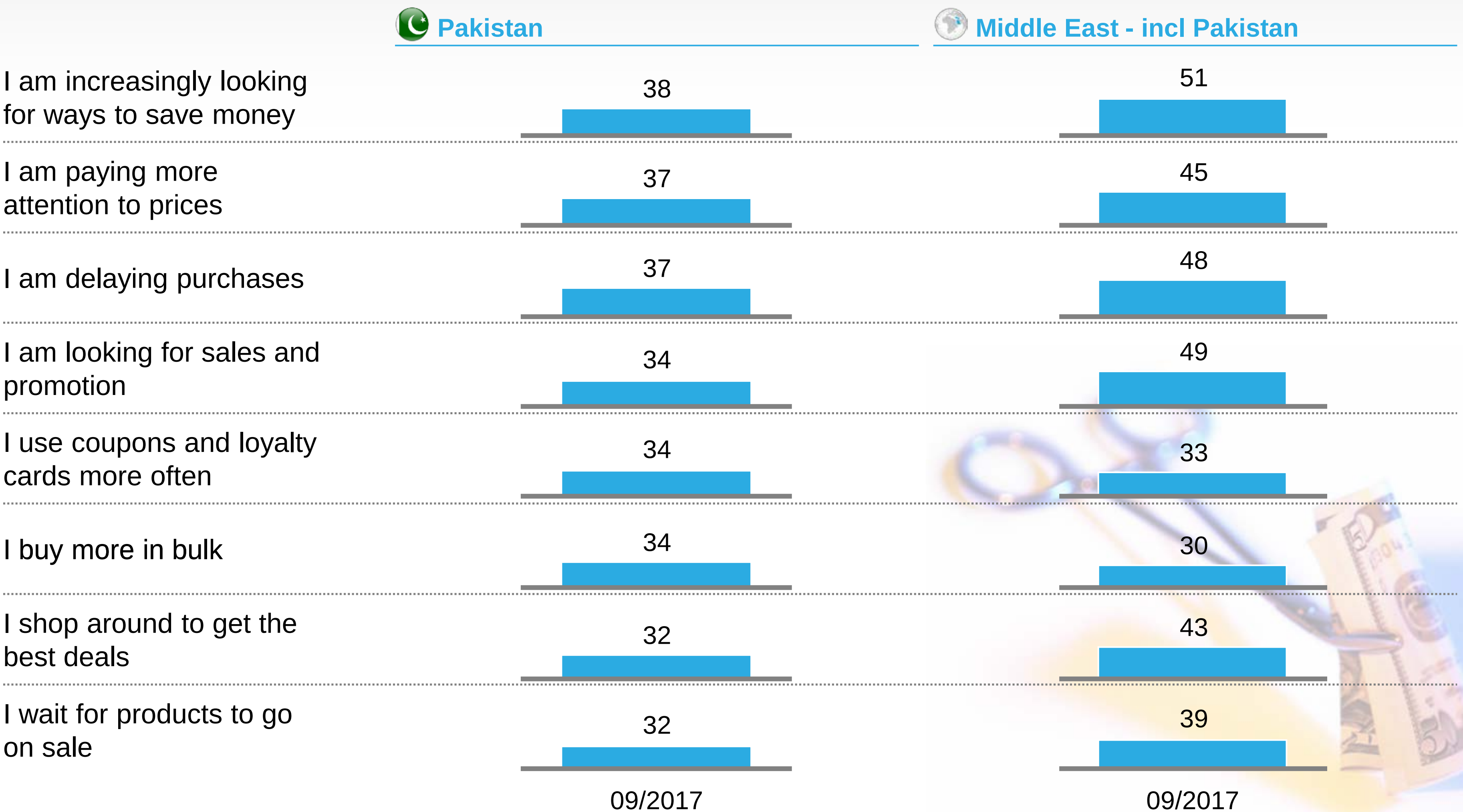
Consumers in the region shift spending towards grocery stores

SOURCE: McKinsey 2018 Global Sentiment Survey

Pakistani consumers are finding creative ways to spend less and save money

Consumers agreeing/strongly agreeing over the last 12 months

Percent, September 2017



SOURCE: McKinsey 2018 McKinsey Global Sentiment Survey

Pakistani consumers also explore other eating habits to save money

Net changes in eating habits in the last 12 months

Difference between doing more and doing less, Percent, September 2017

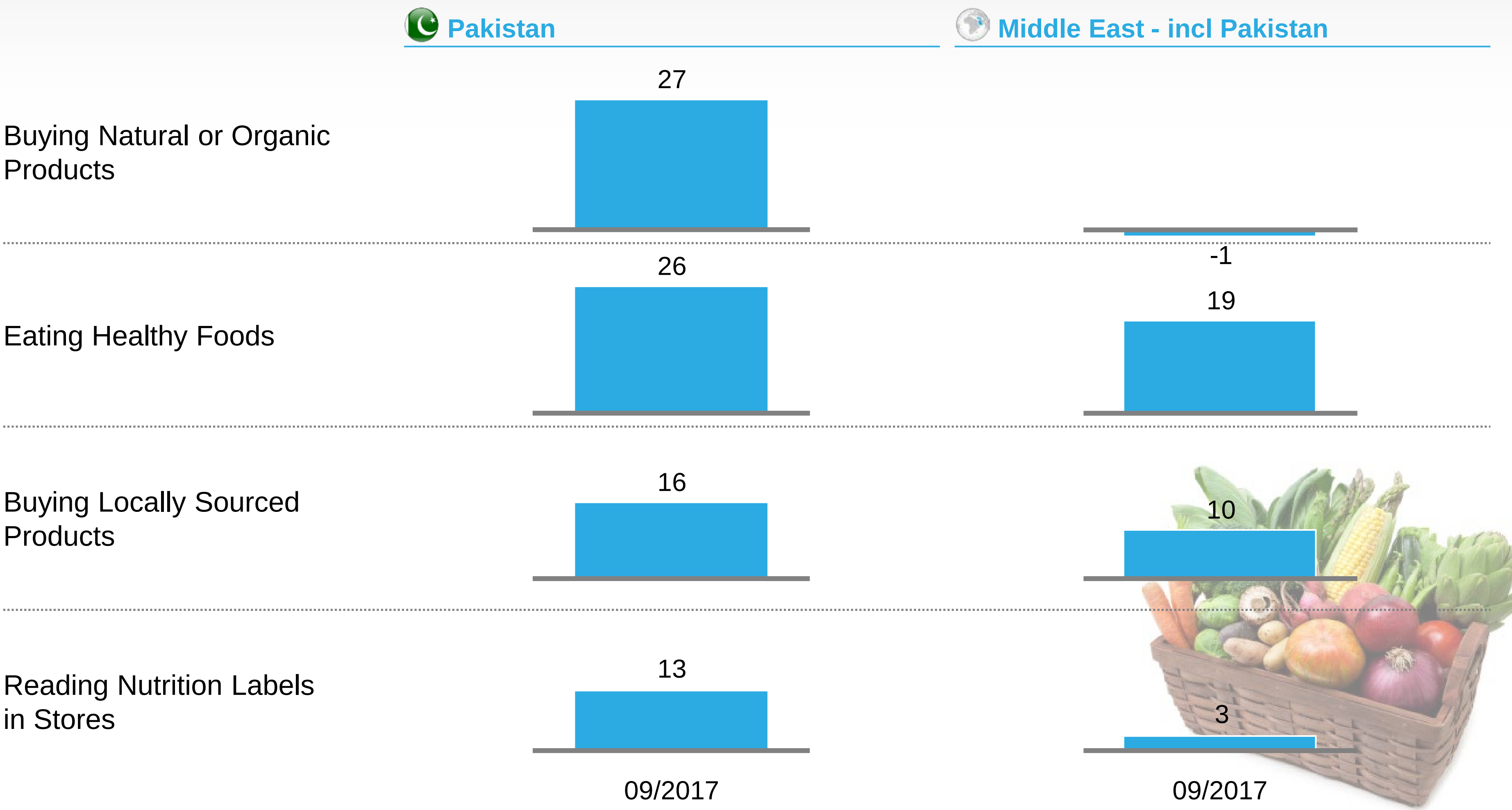
	Pakistan (09/2017)	Middle East - incl Pakistan (09/2017)
Cooking from scratch	23	15
Eating at home	21	31
Packing lunches from home	1	-3
Eating out or ordering take out	-15	-30
Preparing frozen meals	-17	-27
Make easy to prepare meals at home	-24	5
Picking up fresh pre-prepared meals m	-25	-32
Eating in a sit down restaurant	-33	-41

SOURCE: McKinsey 2018 McKinsey Global Sentiment Survey

Consumers buy locally sourced products and continue their quest to eat healthy food

Net changes in eating habits in the last 12 months

Difference between doing more and doing less, Percent, September 2017

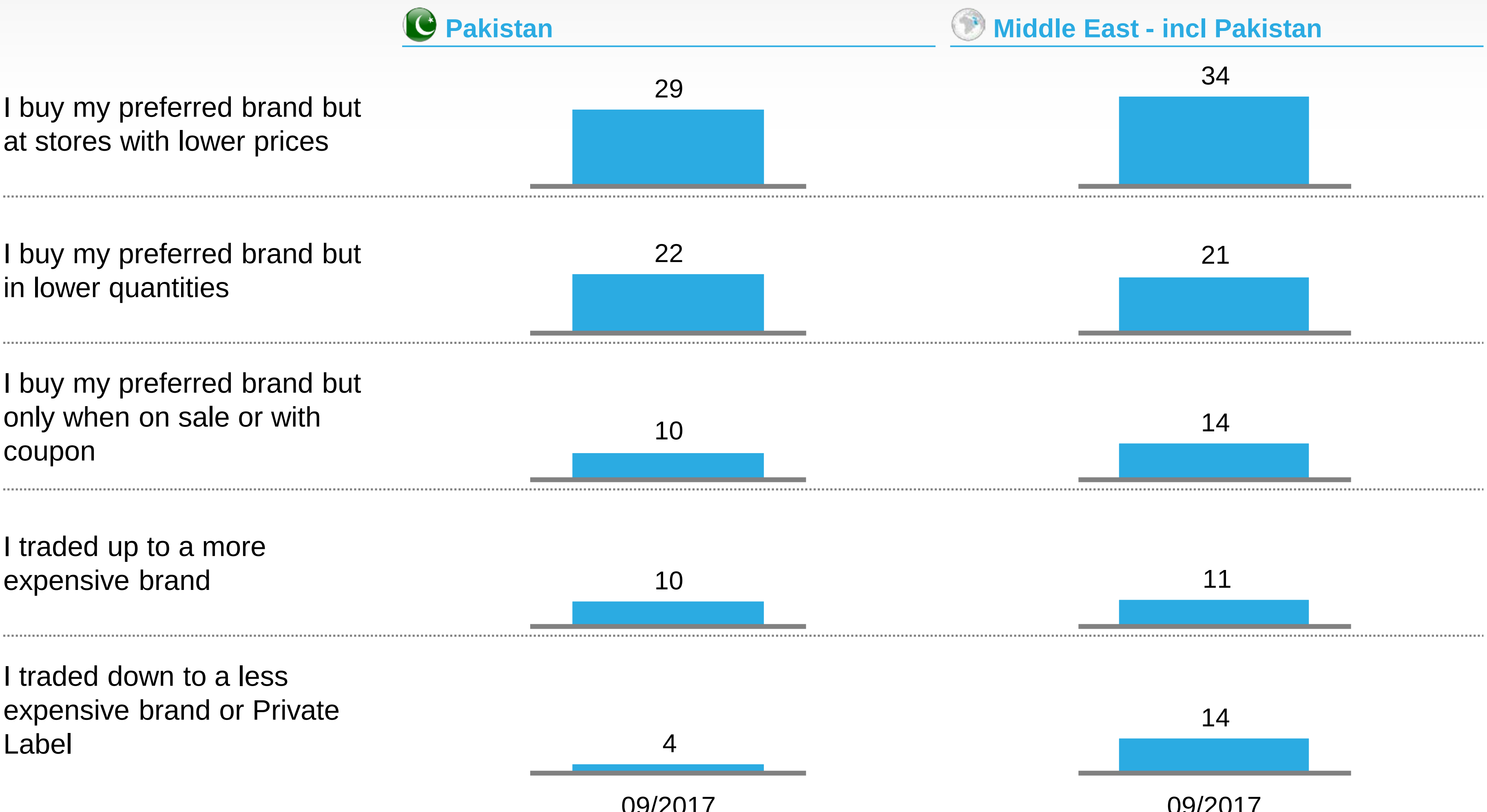


SOURCE: McKinsey 2018 McKinsey Global Sentiment Survey

Pakistani consumers are generally brand loyal IF the price is right; one in five trades down

Changes in buying behavior in the last year among those who changed buying behavior

Weighted average for categories in basket, Percent, September 2017



1 Multiple answers possible

SOURCE: McKinsey 2018 McKinsey Global Sentiment Survey

Consumers look for ways to buy their preferred brands for less; very few trade down and some trade up

Changes in buying behavior in the last year among those who changed buying behavior,
Weighted average for categories in basket, Percent, September 2017

		Macro category			
		Food	Non alcoholic beverage	Personal care	Household products
I buy my preferred brand but at stores with lower prices	29	29	35	29	36
I made another change	24	25	20	20	18
I buy my preferred brand but in lower quantities	22	23	19	26	18
I buy my preferred brand but only when on sale or with coupon	10	11	10	10	13
I traded up to a more expensive brand	10	10	10	11	10
I traded down to a less expensive brand or Private Label	4	3	5	4	4

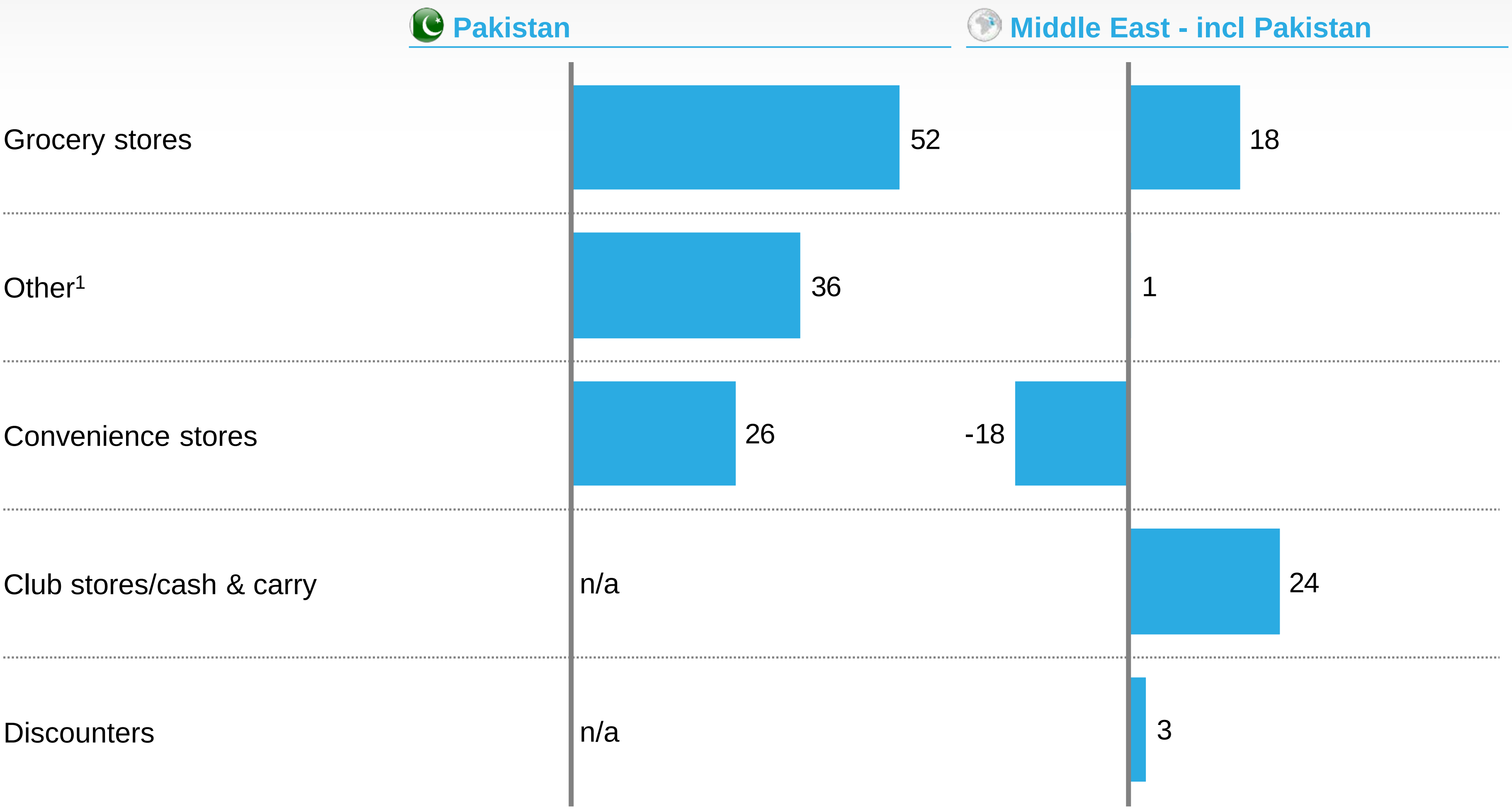
1 Multiple answers possible

SOURCE: McKinsey 2018 McKinsey Global Sentiment Survey

Pakistani consumers are shifting their spending towards grocery stores

Net change in household spending by channel cluster[1]

Based on stated behavior, Percent, last 12 months, September 2017



1 Other includes fresh General stores, Kiryana stores, Rahat bakery, French bakers, La Farine, pie in the sky

SOURCE: McKinsey 2018 McKinsey Global Sentiment Survey