

Corporates in the Middle East resolutely optimistic in the face of global headwinds



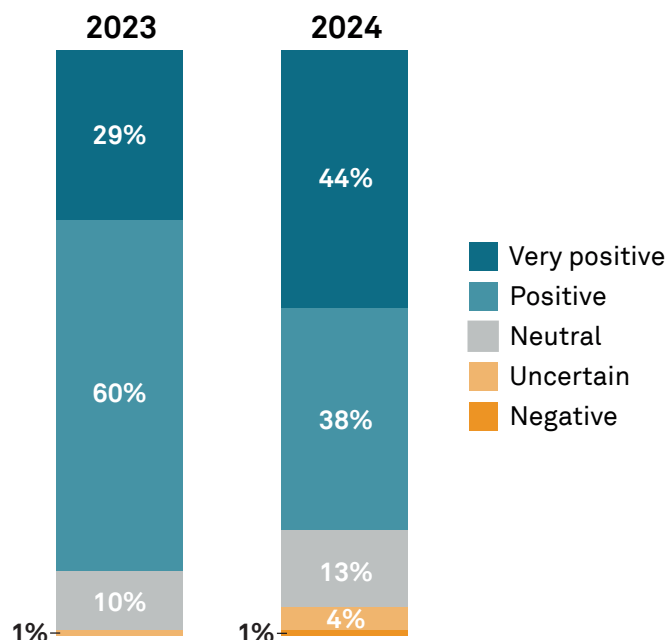
Q2 2025

Corporates in the Middle East place increasing importance on **banks' digital capabilities** when selecting providers for cash management and trade finance

Large companies in the Middle East are taking advantage of economic tailwinds to grow their businesses as they shore up capital positions and balance sheets to adjust to evolving macroeconomic and business conditions. The current global climate around trade and the uncertainty around tariffs is likely to play to the advantage of Middle East-based firms as trade corridors into the region, especially from Asia, deepen.

Companies in the Middle East have been optimistic about the future business outlook for the past several years. This enthusiasm remains in place in 2025, albeit slightly tempered by an increasingly volatile global economic and geopolitical environment even before the current tariffs-led situation. More than 80% of the companies taking part in the annual Coalition Greenwich MENA Corporate Banking Study say they have a positive outlook for the business environment for 2025, including 44% who describe their outlook as “very positive.”

Middle Eastern companies are optimistic about the future

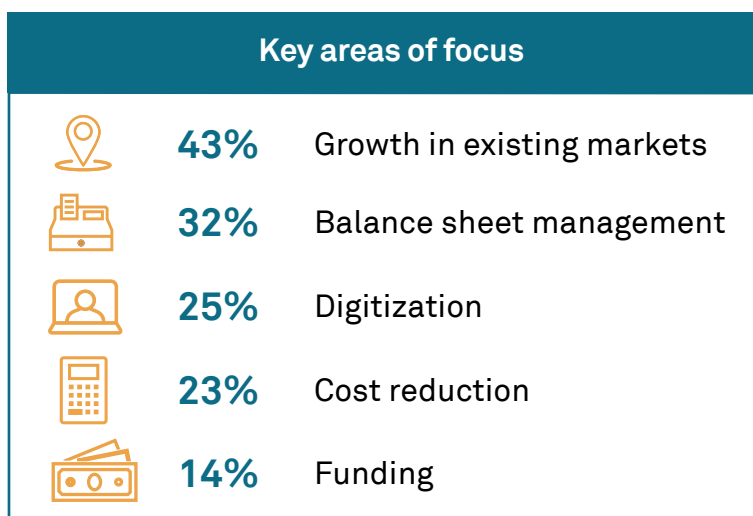


Note: Based on 368 corporates in 2024 and 403 corporates in 2023.

Source: Coalition Greenwich Voice of Client – 2023 and 2024 MENA Corporate Banking Studies

In keeping with that optimism, 43% of companies in the study name “growth in existing markets” as their top priority for the coming year, making growth, by far, the No. 1 goal.

Large companies focused on growth for 2025



Note: Based on 218 respondents.

Source: Coalition Greenwich Voice of Client – 2024 MENA Corporate Banking Study

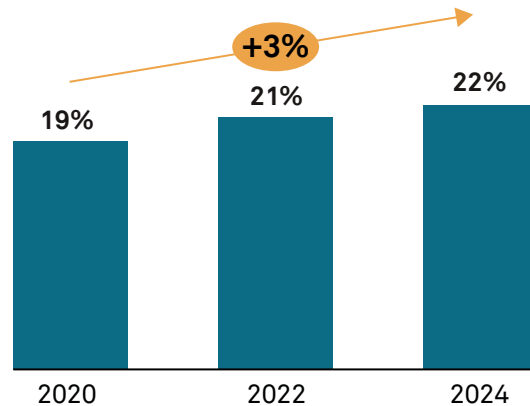
Of course, there is no shortage of economic and geopolitical risks to global trade and business, including war in the Middle East and Ukraine, the prospect of “higher-for-longer” interest rates (despite recent cuts), and the uncertainty stemming from trade and tariff policies of the current administration in the U.S. However, there are also powerful trends unfolding to provide a steady boost to corporate performance in the Middle East. Specifically, the increasing importance of the MENA region as a trade corridor is creating opportunities for growth across the region.

Every year, Crisil Coalition Greenwich studies the changes in usage of banks by companies for various cross-border corridors across different global regions. Analyzing the data over the last few years indicates strongly that the trade corridors into and out of the Middle East are accelerating at a rapid pace, especially from Asia.

For example, the following graphic shows steady growth in the share of large companies in Asia employing a bank for services in the Middle East. Additional data shows that Asian companies already active in the Middle East are increasing the number of banks they use for services in the region.

That trend holds true for companies in other regions as well. We believe the imposition of robust tariffs, first by the Trump administration and then by other governments in response, has the potential to boost growth in the Middle East trade corridor even further, creating a sustained tailwind for future economic growth and corporate expansion.

Increased use in Asia-to-MENA banking activities



Note: Percentage of corporates that have cross-border banking activities into MENA from Asia. Based on 845 respondents in 2020, 912 respondents in 2022 and 1,012 respondents in 2024.
Source: Coalition Greenwich Voice of Client – 2024 Asian Corporate Banking Study

Driving growth for banks: Targeting subsidiaries and recalibrating incentives

Banks looking to capitalize on a boom in Middle East trade should consider focusing on a more seamless cross-border operating model that incentivizes all stakeholders in banks across geographies to help support the growing cross-border ambitions of Middle Eastern companies, as well as international MNCs looking to expand in the region. To penetrate this market, banks should consider recalibrating incentive structures to encourage cross-border sales by product teams, especially in cash management.

Shoring up capital structures and balance sheets

As large Middle East companies focus strategies for 2025 and beyond on growth, they are also working to shore up capital structures and balance sheets. Despite the recent rate cuts, most treasurers and CFOs in the Middle East still find their cost-of-funds to be elevated. The other driver for this focus on balance sheet health is to ensure corporates are well equipped to deal with the growing uncertainty about the global economy.

Returning to companies' lists of strategic priorities for 2025, balance-sheet management ranks second, behind only revenue growth, with roughly a third citing it as a top priority. Funding also makes the list but comes in further behind. To some extent, concerns about balance sheet management and funding are driven by the shift in the rate environment. Around the world, many large companies still have capital structures constructed during the era of historically low interest rates. As debt rolls over or as maturity dates near, these companies need to refinance and otherwise align their positions for an environment of higher rates.

Although credit conditions are generally quite favorable for Middle Eastern corporates (albeit at higher prices due to elevated base rates), companies are taking steps to solidify relationships with lenders as a means of ensuring access to credit in the event of a downturn. Over the past year, the overall number of credit providers used by large Middle Eastern companies has remained largely unchanged.

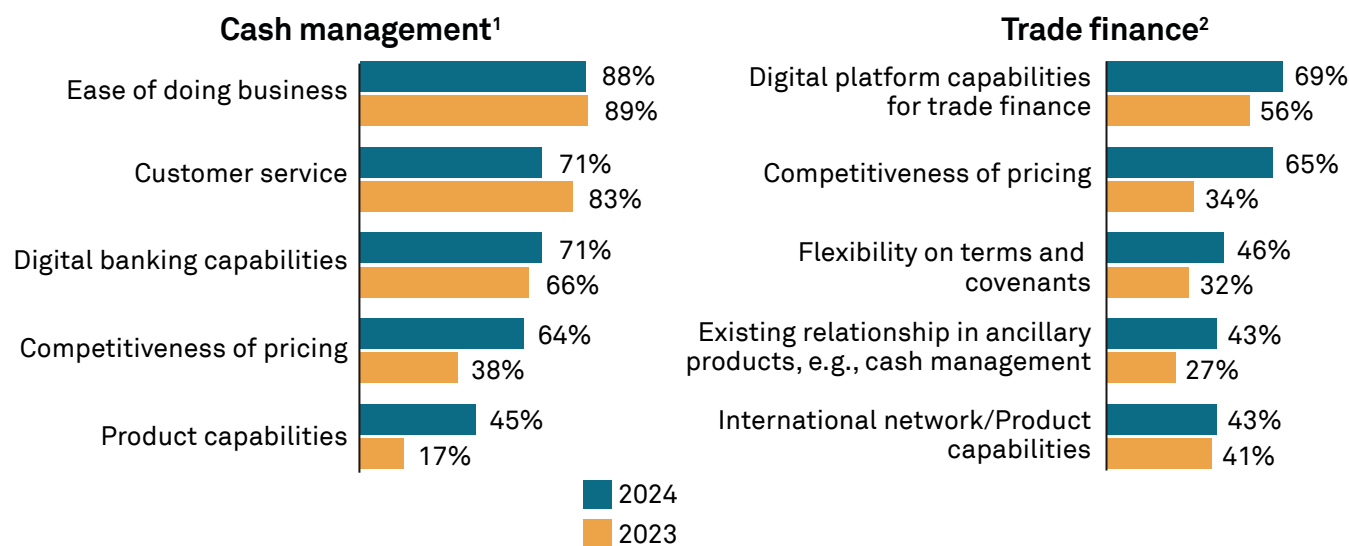
However, the average number of banks used for specific products such as cash management and trade finance has contracted meaningfully. In other words, companies are consolidating their fee-based business in the hands of their credit providers. That practice, which is intended to reward lenders and increase the importance of the relationship to the bank, could lead over time to increased consolidation across the Middle East corporate banking landscape more broadly.

Drive for efficiency speeds digital conversion

In keeping with those pressures, companies facing a higher cost of funding are looking for every opportunity to save money and run their businesses more efficiently. For many large companies in the Middle East, that means trying to manage balance sheets more effectively through steps such as optimizing cash management by shrinking the convergence cycle between accounts receivable and payments.

The desire for increased efficiency in cash management and across all treasury functions is accelerating the digitization wave. Large Middle Eastern companies are placing increasing importance on banks' digital capabilities when selecting banks for key services like cash management and trade finance.

Top five criteria for selecting providers



Note: ¹Based on 267 respondents in 2024 and 290 in 2023. ²Based on 217 respondents in 2024 and 240 in 2023.
Source: Coalition Greenwich Voice of Client – 2024 MENA Corporate Cash Management and Trade Finance Studies

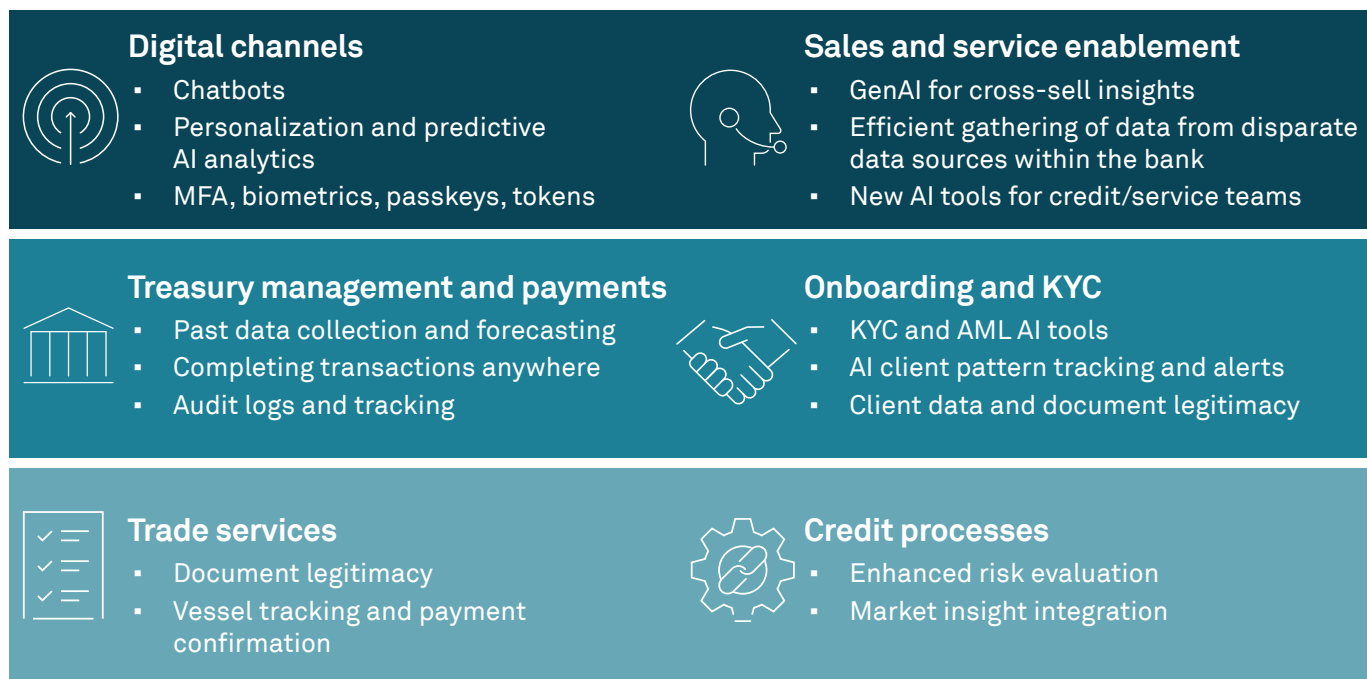
Companies are also looking to nonbank providers for digital upgrades. Nearly a quarter of large Middle Eastern companies currently use platforms from fintech or other third-party providers for cash management, FX or other treasury functions.




In addition, companies are also making significant investments in artificial intelligence (AI) that they hope will pay off in the form of lower costs and enhanced efficiency. About 8% of corporates in the Middle East have implemented an AI solution of some type. Another 30% have active plans to invest in and deploy AI solutions. Companies say they are aiming AI investment at key goals such as increasing accuracy in liquidity forecasting, optimizing currency management and hedging, improving financial reporting, and leveraging internal data across departments.

Banks are rolling out AI solutions designed to help companies achieve many of these goals. Most bank innovation in AI to date has been focused on front-office applications with the goal of enhancing client communications, helping improve banker effectiveness and otherwise improve client service. Companies have remained largely ambivalent about banks' aggressiveness in debuting new AI solutions in these areas. Treasury professionals are focused on results, namely faster turnaround times, and don't particularly care whether their banks achieve that goal through AI or additional staff.

Nevertheless, AI is already having an impact on bank capabilities and will have an even greater impact in the future, especially in document-heavy businesses like trade, which have so far lagged in AI adoption. The following chart shows where banks are offering or developing AI solutions for corporate clients.

Adoption of AI uneven among different bank workflows



 = AI more integrated
  = AI somewhat integrated
  = AI less integrated

Source: Coalition Greenwich Voice of Client - 2024 MENA Corporate Banking Study

Corporates in the Middle East maintain commitment to sustainability

Amid a growing divide between Europe and the U.S. on corporate environmental, social and governance practices, large companies in the Middle East appear to be maintaining and, in some cases, even increasing their commitment to sustainability.

Roughly 55% of corporates in the Middle East have ESG targets or goals, up from 52% in 2023. From a treasury perspective, that commitment manifests mainly in the form of the use of sustainable loans and bonds. Of the 37% of companies that currently use ESG products, 61% are using sustainable loans and bonds. However, a growing share of companies with ESG product usage (44%) are also relying on banks for broader ESG advice and solutions.

These budding advisory relationships on ESG represent a sizable opportunity for both companies and banks. Companies that start working with banks are discovering that they don't have to reinvent the wheel. Their banks have existing solutions and best practices that can help them achieve their ESG goals. For banks, partnering with clients on ESG is a way to strengthen relationships and potentially expand share of wallet.

So far, global banks have led the way in partnering with companies in the Middle East on sustainability. However, companies participating in our study this year report increased activity among local Middle Eastern banks, which are building out capabilities at a rapid pace and reaching out to large corporates to initiate conversations on sustainability.

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METHODOLOGY

From August to early December 2024, Crisil Coalition Greenwich conducted interviews with 368 corporates based in the UAE and other countries in the Middle East, such as Saudi Arabia, Egypt, Oman, Bahrain, Kuwait, and Qatar. Subjects covered included bank credit capabilities, domestic and cross-border advisory capabilities, and Best Bank of institution and relationship management, plus topics relevant to cash management and trade finance. Respondents were typically key corporate or finance decision-makers, e.g., CFO, Finance Director, Treasurer, and Financial Controller.

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