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Business resilience amid regional uncertainty

How businesses in the Gulf states are impacted by regional uncertainty

100 مئة عام
Years in the Middle East

Executive summary

To understand how regional conflict is affecting Gulf businesses, we surveyed 100+ organizations across the GCC, spanning multiple sectors, markets, and business sizes.

The findings provide a snapshot of the operational, financial, and strategic impacts businesses are experiencing and how they are responding.

The findings should be considered within the context of the survey sample and are not intended to represent the broader market as a whole.

Disruption is real, but most businesses are absorbing it:

UAE businesses are feeling the effects more severely than others:

38% of UAE respondents report significant or transformational impact, against just 4% in KSA.

Sector matters as much as geography – and so does the nature of disruption:

Retail and eCommerce, and Hospitality are the hardest-hit sectors by impact severity. Technology and Financial Services show more mixed profiles. The nature of the disruption varies by sector: Retail faces pressure on multiple fronts – supply chains, demand, and costs; Hospitality is impacted almost entirely by reduced demand; Financial Services is affected primarily by market access constraints; and Technology businesses are feeling cost inflation.

Smaller businesses are disproportionately affected:

35% of respondents with revenues below AED 0.5bn report significant or transformational impact, compared with 13% in the AED 1–2bn band and none in the AED 3–4bn band. However, the largest businesses (over AED 4bn) are not immune with instances of significant impact reported. The nature of pressure also shifts with scale: smaller businesses face acute demand and market access challenges while larger businesses are more exposed to supply chain disruption and working capital stress.

Market uncertainty is the dominant barrier to recovery:

46% of respondents identify uncertainty over market supply and demand conditions as their most significant obstacle – more than twice the proportion of any other barrier.

Strategic posture is diverging between markets:

UAE businesses are focusing on preserving liquidity – **57%** cite cash flow management as their primary near-term priority. KSA businesses are more likely to be pursuing growth: 28% cite preserving market share and reaching new markets as their lead objective. The findings suggest UAE businesses remain focused on managing near-term disruption, while businesses in KSA appear more focused on growth and market expansion.

Strategic posture is diverging between markets:

64% of respondents expect conditions to normalize within 12 months. Smaller businesses are the most optimistic with 50% expecting recovery within six months. The largest businesses are notably more cautious, with 30% projecting recovery in one to two years. Near-term strategic priorities shift with size: smaller businesses prioritize liquidity; larger businesses prioritize portfolio optimization and sustainable cost reduction.

75% of respondents report limited or moderate impact – a signal that, for the majority of Gulf businesses, the conflict is a significant operational challenge rather than an existential one.

However, around one in five **(19%)** describe significant or transformational disruption.

Overview

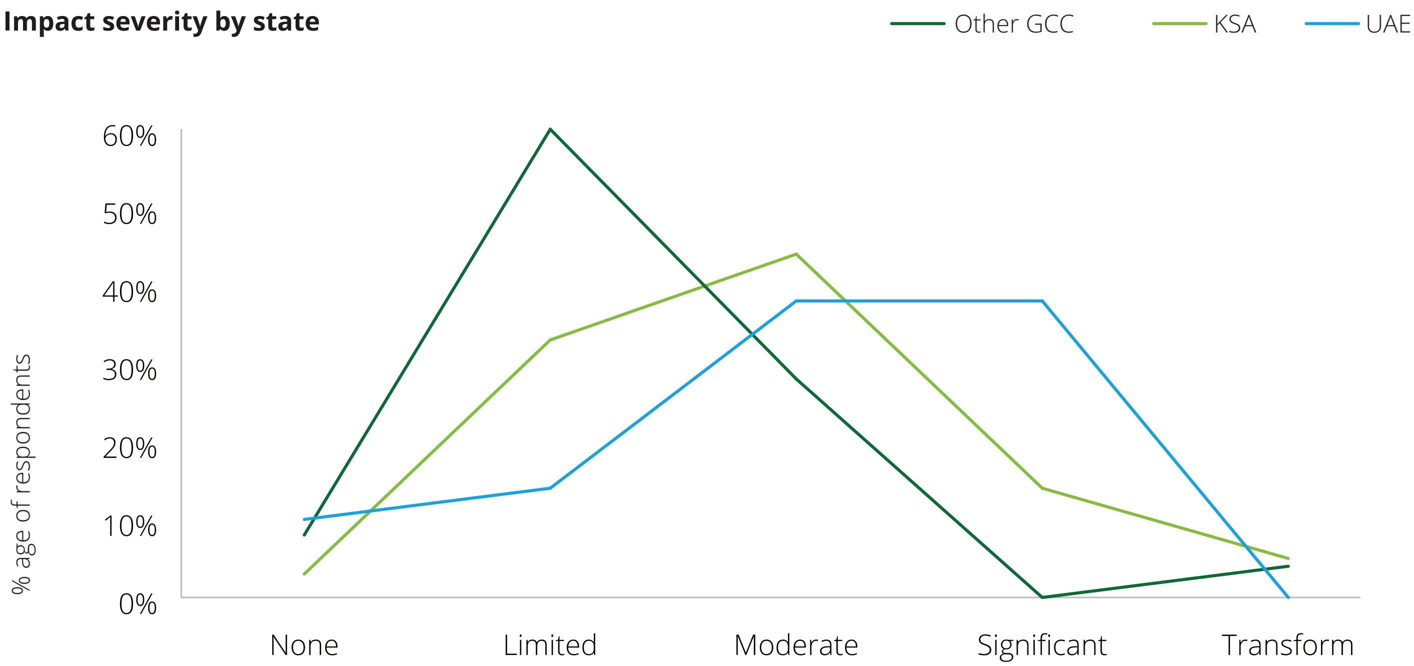
While conflict-related disruption is widespread across the Gulf, its impact is far from uniform. Geography, sector exposure, and business scale all play a significant role in shaping resilience.

Just 6% of the organizations surveyed report no material impact, highlighting the pervasive nature of conflict and the collateral damage it causes to the economies of neighboring but non-participant countries. However, while it is widespread, the impact of conflict is for the most part not severe, yet. Only 19% of businesses report significant or transformational disruption to their operations. The substantial majority – 75% – occupy a middle ground of limited or moderate impact, absorbing the effects of the conflict without facing acute operational or financial strain.

That broad theme of 'business not quite as usual but not broken' masks interesting geographic and sectoral nuances. Echoing the findings of our recent survey of consumer attitudes and behaviors, the UAE stands out as the most acutely affected geography in the sample, with 38% of respondents reporting significant or transformational impact as against just 4% in KSA.

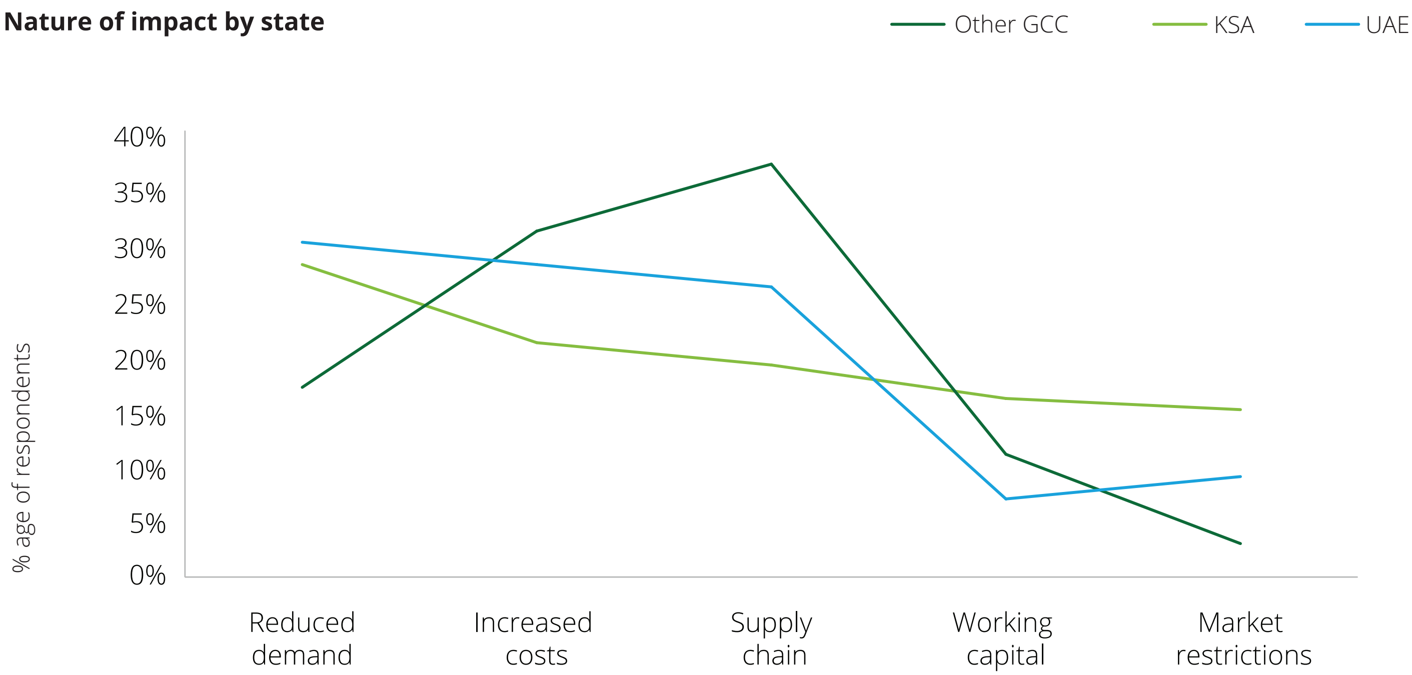
Across the Pan-Gulf respondents – business operating throughout the region 20% report significant or transformational impact – consistent with the survey average but masking a wide range of sector experience.

Impact severity by state



Each row shows the number of respondents falling into each impact category. 'Transform.' = transformational impact requiring operational or financial restructuring.

Nature of impact by state



Respondents could select multiple areas of impact, so column totals exceed respondent counts. Only respondents reporting some degree of impact contributed to impact area selections.

UAE businesses are markedly more stressed than any other geography in the survey and the level of impact in KSA is strikingly different – **60%** respondents report limited impact, the highest concentration of 'limited' responses in the survey, suggesting that most are managing comfortably, though one KSA business did report transformational impact.

The contrast between UAE and other countries, particularly KSA, is striking not just in severity, but in the nature of the pressures being felt. The table above shows what kind of impact businesses are experiencing and the picture underlines the differing experiences of business in UAE and KSA. The pressures reported by UAE businesses are broad and predominantly immediate—30% reduced demand, 28% increased operating costs and 26% supply chain disruption. The pattern in KSA differs significantly: while supply chain disruption (37%) and increased costs (31%) are the dominant concerns among businesses, reduced demand (17%) is much less significant, consistent with a more domestically insulated market where operational and input pressures are felt before revenue effects. In line with the breadth of their businesses, Other GCC respondents reflect the broadest mix of pressures. Reduced demand is the single most cited concern but increased costs, working capital challenges, supply chain disruption and market restrictions are all prominent.

Where is the impact being felt?

Across all geographies, reduced demand and revenue is the most widely cited impact – reported by 43% of all respondents – followed closely by increased operating costs (40%) and supply chain disruption (39%). This aligns closely with the findings of our consumer survey where discretionary spending is down or deferred. Working capital challenges (21%) and market restrictions or loss of markets (18%) are less prevalent but far from marginal. In addition, the majority of respondents are contending with more than one pressure simultaneously.

The most common pairing is increased operating costs alongside supply chain disruption,– a combination consistent with businesses facing higher input costs and sourcing or logistics difficulties at the same time. Reduced demand features in the next two most common pairings amongst respondents alongside supply chain disruption, and increased operating costs. The co-occurrence of demand weakness, cost inflation, and supply chain strain in the same businesses helps explain the concentration of severe impact cases in sectors such as Retail and eCommerce, where all three are present simultaneously.

The relationship between impact severity and the nature of pressure shifts meaningfully across the spectrum. Among businesses reporting limited impact, cost pressures dominate – increased operating costs and supply chain disruption (69%) vs reduced demand (25%), suggesting the conflict is being felt principally as a cost and logistics problem rather than one of revenue. Among those reporting moderate impact, reduced demand is the strongest impact (28%), with supply chain disruption (26%) and increased costs (24%) close behind. Among those reporting significant impact, the profile changes markedly 82% businesses cite reduced demand, and market restrictions. This escalating prominence of market access constraints points to a specific dynamic: businesses at the threshold of significant difficulty are disproportionately those whose markets have been disrupted, not merely their costs or supply chains.

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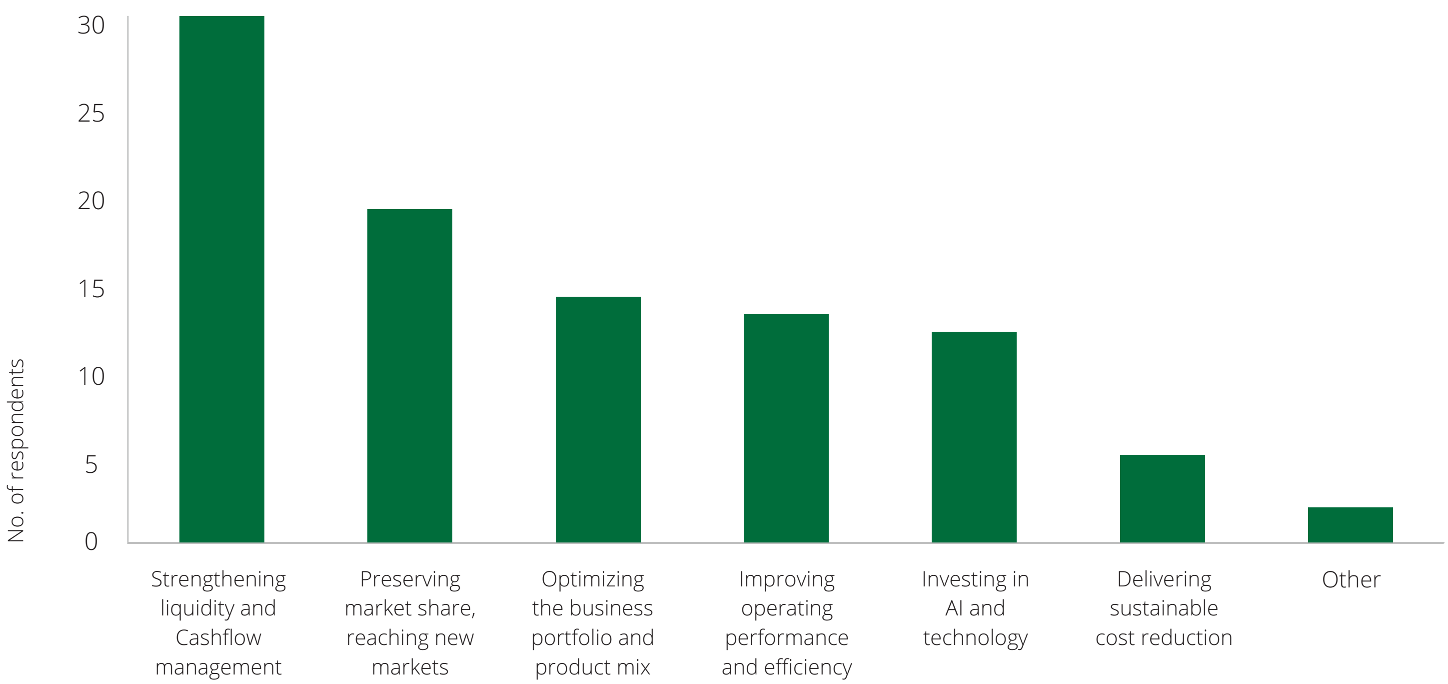
Near-term Priorities

Asked about their near-term strategic priorities in the face of continuing conflict, businesses divide along the same geographic fault line as impact severity. Across the survey, liquidity and cashflow management is the top priority (28%), followed by market preservation and expansion (17%), portfolio optimization (13%), operational efficiency (12%), and AI investment (11%). UAE businesses say they are prioritizing financial protection – 12 of 21 cite liquidity as their lead concern. KSA respondents, by contrast, are more likely to be looking for growth: seven of 25 cite market share preservation and expansion and six cite operational efficiency improvement. By sector, Construction, Automotive, and Retail prioritize liquidity; Financial Services leads on portfolio optimization; and Technology splits between liquidity and AI investment, suggesting that some businesses are treating this period of uncertainty as an opportunity to invest in capability rather than recovery.

Next 12 months priorities

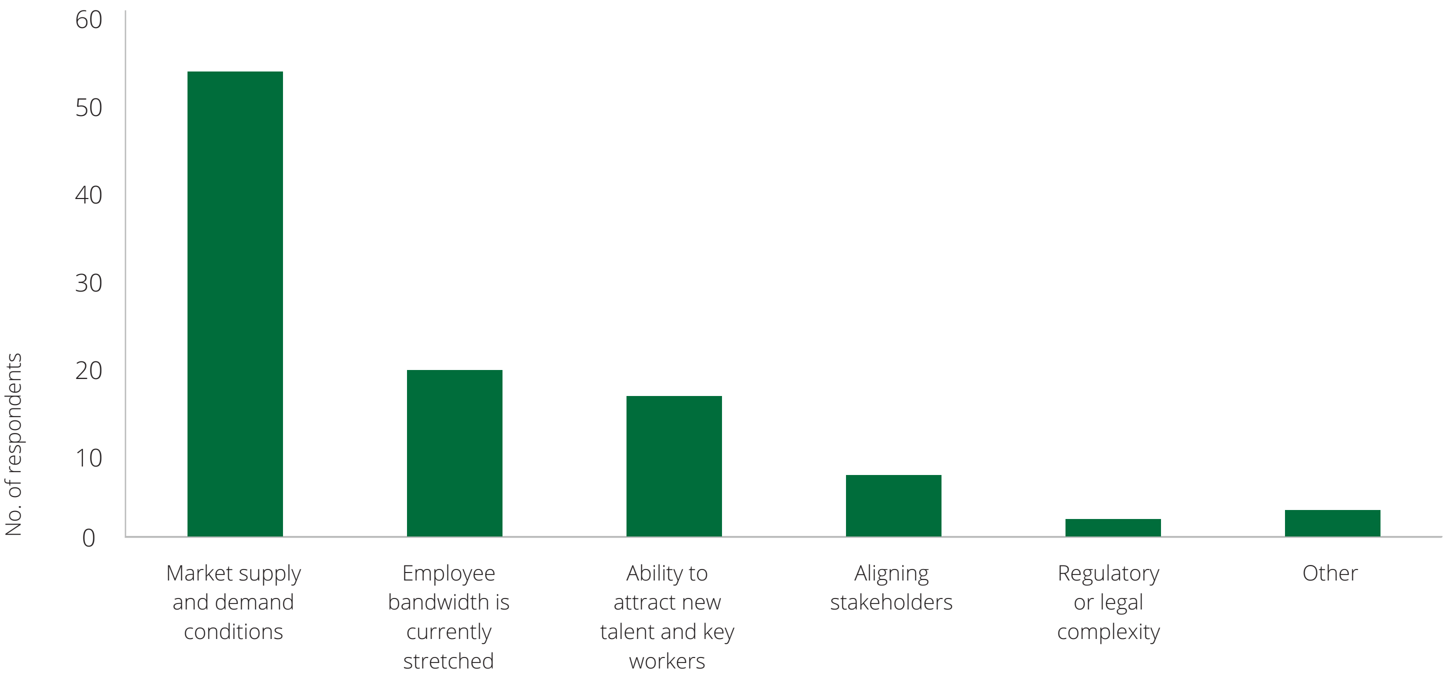


When examined by impact severity, the near-term priority picture shifts dramatically. Among businesses reporting limited impact, market share preservation and expansion is the highest priority (31%), with operational efficiency second (21%) and liquidity a distant third (15%) – suggesting opportunity rather than stress. Those reporting moderate impact emphasize liquidity (30%), though portfolio optimization (21%) and market preservation (12%) remain significant. Among significantly impacted businesses, the shift is decisive, 59% cite liquidity management as their primary priority, with cost reduction the only other response cited by more than one respondent. As impact severity rises, near-term strategy narrows from growth and capability investment towards the preservation of financial stability.

Barriers to Recovery Execution

For most Gulf businesses, the primary obstacle to executing a recovery strategy is external rather than internal: the difficulty of making decisions when the commercial consequences of the conflict remain unclear. Across the survey, 46% of respondents cite uncertainty over market supply and demand conditions as their most significant barrier – more than twice the rate of the next constraint, employee bandwidth (17%) and talent availability (14%).

Barriers to recovery



At the sector level, uncertainty is the primary barrier for businesses in Retail, Real Estate, Automotive, Hospitality, and Food & Beverage. In the Technology sector, talent availability rivals uncertainty as a barrier, highlighting how execution capacity, rather than market visibility, is the binding constraint.

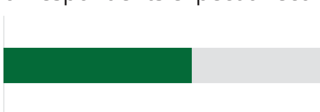
Recovery Expectations

Nearly two-thirds of businesses across the survey (64%) expect market conditions to normalize within 12 months, and 26% anticipate recovery by the end of the year. This closely aligns with the findings of the consumer survey, where 59% of respondents expect a recovery within 12 months. A meaningful minority – 18% – project a one-to-two-year horizon, with just 2% expecting disruption to persist beyond two years.

Recovery expectations track closely with impact severity and geography. While a third of UAE respondents expect recovery to take one to two years, nearly half of KSA respondents expect recovery within six months.

Recovery optimism is strongest among mid-sized businesses. In the AED 0.5–1bn band, 50% of respondents expect recovery within six months. The largest businesses (over AED 4bn) are the least optimistic: only 7% expect recovery within six months, and 33% projecting one to two years, suggesting a prolonged period of structural market adjustment even where immediate impact has been moderate. The smallest businesses (under AED 0.5bn) cluster around the 6 – 12-month horizon (55%),

59%
of respondents expect a recovery within 12 months



46%
cite market supply and demand uncertainty as their most significant barrier

65%
of the smallest businesses name uncertainty as their primary constraint

The barrier and priority data reinforce these patterns by revenue band. Market uncertainty dominates as the primary barrier across most bands but is most extreme among the smallest businesses, 65% of under-AED 0.5bn respondents cite it as their primary constraint. For mid-sized businesses (AED 1–2bn), management bandwidth is almost as prominent as uncertainty, reflecting a challenge of internal execution capacity as much as market clarity. Among smaller businesses, liquidity management is the leading near-term priority; operational efficiency through technology leads among the AED 1–2bn group; and portfolio and product mix optimization leads among the largest businesses – consistent with organizations that have the scale to make strategic realignment decisions rather than purely defensive ones.

Ultimately, while most Gulf businesses are absorbing the disruption, recovery will hinge on how quickly they can navigate market uncertainty—balancing immediate liquidity protection with medium/long term targeted actions that reflect their geography, sector pressures, and scale.

Notes on methodology

This report presents directional findings only. Whole-survey percentages are based on 109 respondents and are statistically reliable at that level. Sub-group percentages are used only where the respondent base is sufficient: the Pan Gulf group (n=44), KSA (n=25), and directionally the UAE (n=21). All other sub-group findings – including by state, sector, and revenue band – are expressed as raw counts and should be treated as indicative trends rather than representative findings. The sector analysis is based on 236 'mentions' across 109 respondents. All 18 named sectors from the questionnaire are shown; 'Wholesale / Trading' consolidates two response options (Wholesale; Trading & Distribution) that refer to the same sector. One respondent who selected 'Other' and wrote in 'Financial Services' has been reclassified to that named sector; the 'Other' row therefore reflects 13 remaining mentions, the named sectors for which are listed in the Table 3 caption. Areas of impact 'mentions' in Tables 2, 4, and 6 similarly reflect multiple selections per respondent.

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