



Deera Editorial

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The Middle Market in West Asia:

A Navigation Strategy

Most Western analyses of the Gulf consumer economy share a single oversight. They speak of a “Gulf middle class” as if it were directly analogous to a Berlin or Toronto middle class. The composition of the GCC consumer market is structurally different. The expatriate share of the resident population is approximately 88.5 percent in the United Arab Emirates (Wikipedia, “Demographics of the UAE”), 88.4 percent in Qatar (Qatar Moments), and 68.6 percent in Kuwait as of December 2024 (Gulf News). This demographic mix is the central fact about the consumer economy of these states, and it shapes household-spending patterns, savings behaviour, and category demand in ways that a generic emerging-market consumer model does not capture.

This article is a navigation strategy for that market. Its argument rests on three claims. First, the GCC consumer economy is genuinely outperforming global peers on the metrics that matter to investors — household consumption growth, credit expansion, real-estate absorption — and that outperformance is durable through 2030 on current data. Second, the structural feature most analysts treat as a weakness, the expatriate dependency, is in fact what makes the demand predictable enough to underwrite, provided the analyst understands the specific mechanics. Third, the right strategic posture for a middle-market investor in this region is what Mohamed El-Erian has described, in a different context, as a *barbell*: pair structurally resilient income-generating positions with carefully structured high-conviction risk assets, and revisit the assumptions underneath both regularly (Walker Webcast). Each of these claims is defended below with the data that supports it.

I. THE NUMBERS THAT MATTER

Real household consumption in Saudi Arabia grew 2.7 percent in 2024 and is forecast to reach 3.8 percent by 2026. The UAE, Kuwait, and Qatar are projected to average annual household-consumption growth above 3.5 percent through the same horizon (Arab News, citing Oxford Economics). Headline GCC inflation averaged 2.0 percent in 2024 — well below the 2.5-3.0 percent now considered persistently “sticky” in the United States — and the regional central banks, with their dollar pegs, retain monetary credibility that few emerging markets enjoy (Middle East Briefing). UAE personal bank loans surged 17.8 percent year-on-year in the three months to April 2025. Dubai real-estate transactions grew 42.5 percent annually in the same period. Saudi Arabia is opening its property market in Riyadh, Jeddah, Mecca, and Medina to non-GCC purchase. CEO confidence in 2025 GCC growth, as measured in PwC’s 28th Annual CEO Survey, ran at 90 percent expecting revenue growth, against a 57 percent global baseline (PwC Middle East Economy Watch).

These are not soft indicators. Each one is the kind of metric a long-only equity allocator or a private-credit underwriter checks before sizing a position. Taken together they describe a regional consumer economy that is, on the durability metrics, structurally stronger than most of the developed world right now. The GCC is in the position the United States held in the late 1990s — rising household leverage tolerated by low base rates, real-estate-led wealth effects, and a non-oil services economy growing at Asian-tiger rates. The differences are real. But the analytical category most useful for thinking about this market is no longer “frontier” or even “emerging”; it is *middle-income, fast-growing, dollar-anchored*, with a specific demographic engine that the rest of the analytical vocabulary fails to capture.

II. THE QUID PRO QUO BENEATH THE NUMBERS

The GCC’s commercial environment rests on a distinctive economic package that shapes every important business relationship in the region. The state offers the foreign worker and the foreign firm a defined set of tangible economic advantages: tax-free personal income, low-friction company formation, dollar-pegged currency, top-decile public infrastructure, exceptional physical safety, and a regulatory environment that is, by global emerging-market

standards, unusually predictable. The framework operates on residency-linked-to-employment and well-defined commercial partnership structures. These are administrative arrangements that produce a specific economic result: a long-tenured but rotating professional population, deeply integrated commercial relationships with local partners, and a consumption profile shaped by the time-horizon and tax structure of the residency framework rather than by domestic political cycles.

This trade is what produces the consumption profile the data describes. An expatriate professional in the UAE with a household income of approximately AED 50,000 per month — the rough Strategy& definition of the regional middle-market consumer — spends differently from an equivalent earner in Frankfurt or Singapore for specific structural reasons. Tax-free income raises effective disposable spending by roughly 25-35 percent at parity gross. The absence of any meaningful retirement entitlement — expatriates do not draw GCC pensions — pushes savings into property, gold, and offshore deposits rather than equities. The temporary nature of residency biases discretionary spending toward experiences and education for children rather than long-cycle durables. Status goods carry a heavier weight than they would in an equivalent Western income bracket, because status is one of the few stable forms of social capital available to a non-citizen population. None of this is intuitive to an analyst importing assumptions from a Western consumer-spending model. All of it is essential for sizing the addressable market correctly.

III. WHAT THE MIDDLE MARKET ACTUALLY BUYS

The implications for sector allocation are precise. **Private education** is structurally the strongest middle-market category in the Gulf because expatriate parents have no public-school alternative and their school choice is a permanent decision they will revisit every year for fifteen years. The Dubai schools market alone has grown from approximately 240,000 students in 2010 to over 400,000 by 2024, with annual capacity additions of 5-8 percent compounding.

Healthcare, particularly private specialist care and elective procedures, follows the same logic for the same reason: an expatriate population that ages in place but operates outside the

public-sector healthcare framework generates demand that is both high-margin and recurring. **Branded residential real estate** in the AED 1.5-4 million / SAR 1.5-4 million bracket is the asset category that absorbs the long-term savings the expatriate professional typically does not place in a national pension scheme. The Dubai 42.5 percent transaction growth in 2024 is not a bubble. It is structural deferred-savings demand finally finding a vehicle that residency-permit holders can legally own (UAE freehold zones) or hold via long lease (Saudi post-2024 reform).

Discretionary categories that look strong but are cyclically sensitive. Luxury automotive, premium dining, and aspirational fashion in the GCC have ridden a decade of expatriate professional income growth. They are also the categories most exposed to one structural variable: labour-mobility cycles. The expatriate professional workforce in the UAE typically turns over at a rolling rate of roughly 40 percent every five years (Mercer compensation indexes). Regional economic cycles and labour-market policy changes — both common features of any sophisticated emerging market — can compress these discretionary categories quickly when they intensify, while the categories that prove durable through full economic cycles are **education, healthcare, basic groceries, and Sharia-compliant savings instruments.** Sector allocation should be weighted accordingly: the structurally durable layer larger than the cyclical layer, never the reverse.

IV. THE BARBELL, APPLIED TO THE GULF

Mohamed El-Erian's 2025 strategic counsel for investors navigating a no-landing global economy with sticky inflation and persistent geopolitical risk was, in his exact phrasing, to “combine safe, income-generating investments with high-potential, well-structured risk assets to maintain resilience and optionality” (Walker Webcast). The same architecture, scaled to the GCC middle market, produces a portfolio with three layers.

The income layer — safe, dollar-denominated, yield-generating — is best occupied in this region by GCC investment-grade sovereign and quasi-sovereign sukuk and conventional bonds. Yields on five-to-ten-year UAE federal sukuk have run in the 4.5-5.5 percent range through 2025, denominated in a currency pegged to the dollar at AED 3.6725 since 1997. This is

the closest available substitute for U.S. Treasury exposure that still delivers a regional risk premium. **The growth layer** — structurally exposed to the consumption story — is best expressed through GCC-listed equities in healthcare, education, and consumer staples, plus selected real-estate investment trusts tied to logistics and last-mile distribution rather than to speculative residential plays. **The optionality layer** — high-conviction, tail-shaped, smaller-sized — is what the Vision 2030 / 2035 / 2040 transformation programmes have created. Saudi giga-projects, UAE artificial-intelligence sovereign capacity, Kuwait’s Northern Economic Zone, and Qatar’s Lusail build-out each contain pockets where private capital with the right regulatory and procurement access can earn returns that justify single-digit-percent portfolio weights. This third layer is where the asymmetry sits and where competent navigation matters most.

V. THE QUESTIONS BEFORE THE TRADE

Deera’s position is that no investment decision in the GCC middle market should be made before answering five specific questions. **First, what is the demographic engine of the specific demand stream you are underwriting, and what would have to be true about visa policy and labour-market policy for that engine to weaken?** An education investment in the UAE rests on a different demographic engine than a luxury-retail investment in the same city, and the policy fragilities are not the same. **Second, what is the currency exposure, and what is the credible scenario in which the peg is adjusted?** The dollar pegs in the GCC have held for decades, but the fiscal arithmetic that supports them depends on oil price assumptions that are themselves under stress. A position sized as if the peg were permanent is a different position than one sized with a 5 percent annual probability of regime adjustment. **Third, what is your access to the local procurement and regulatory layer?** Returns in the GCC are heavily mediated by who you are partnered with, and the right local partner is often the difference between compounding and stagnation. **Fourth, what is the exit?** The GCC has limited public-equity exit liquidity outside Saudi Arabia and the UAE, and even there the market depth for private exits is thin compared to global peers. A capital deployment without a credible five-to-seven-year exit

path is a permanent commitment dressed as a trade. **Fifth, what is the geopolitical scenario you are underwriting against?** The 2024 Iran-Israel direct exchange demonstrated, in El-Erian's phrasing, that the region had moved from "contained disequilibrium" to "perilously unstable disequilibrium" (Bloomberg Law). A position that does not have a stress-test against a Strait of Hormuz disruption, against a regional sanctions regime tightening, and against a dollar-funding shock is a position that is not yet fully analysed.

VI. WHAT DEERA OFFERS

Deera's active research sector on equities and investment risk is built around answering exactly these five questions for clients deploying capital into the GCC middle market. The methodology is the one Deera applies across its other research domains: the right question, framed across the right comparisons, answered with the right method. For middle-market navigation that means proprietary demographic decomposition of the specific demand stream the client is exposed to, fundamental review of the local equity or real-asset vehicle on a comparable-issuer basis, scenario modelling against named geopolitical and currency stresses, and access to a regional network of operators, procurement specialists, and former-government advisors that no remote analyst can build from London or New York. The deliverable is an investment memorandum the client can defend to an investment committee, not a McKinsey deck. The standard is the one El-Erian set in his framework for the New Normal: structural resilience, regular testing of assumptions, and the discipline to say what is not yet known.

VII. CONCLUSION

The GCC middle market is, on the data, the most attractive middle-income consumer market in the world right now. It is also the one most likely to be misread by analysts who arrive with a Western consumer-spending model and apply it without adjustment. The expatriate demographic engine is the central fact, the tax-and-residency quid pro quo is the central mechanism, and the El-Erian barbell — income, growth, optionality — is the most useful strategic frame currently available for sizing positions against that mechanism. None of this is hidden. All of it is in the public data the consultancies and the multilaterals have already

published. What is missing in most investor decks is the willingness to say, plainly, what the data describes. Deera's wager is that the investors who say it first will compound at rates the rest of the market cannot match. The numbers, for now, support that wager.

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