

Payments and e-commerce report

Middle East & Africa



ppro

Dear reader,

Welcome to the PPRO Regional Payments and E-commerce report for The Middle East and Africa.

E-commerce is one of the big business success stories of the last decade. It has created jobs, injected new dynamism into our economies and given people, who wouldn't otherwise have had it, access to goods and services that improve their lives.

At PPRO, we're proud to help make possible the payments revolution that underpins the explosive growth of the e-commerce industry. But we're even prouder to have helped our partners and their merchants grow and succeed in more markets every year.

And that's what this report and its companions are really about. They are tools designed to give you the knowledge you need to open new markets. We hope you find them useful and we wish you every success.

Yours sincerely,

Simon Black
CEO, PPRO

Middle East & Africa: commodities, diversification, recovery

Many countries in this report are major exporters of raw materials. This makes them highly dependent on the state of the world's commodity markets and on the price of oil, in particular.

For a group of the markets covered here, 2014 – when the oil price started to slide – was a turning point. Nigeria, for instance, was growing at a rate of 6.31% in 2014. By 2015, growth was down to 2.6% and by 2016 the economy was contracting by 1.6%.¹ The story is similar, though less dramatic, for the UAE and Saudi Arabia.

For South Africa, the turning point came earlier, in 2011. Its troubles are linked not to the price of oil – it has a relatively small oil sector – but to the price of industrial commodities in general. Raw materials account for 28% of its exports.^{2,3} Again, this theme is present throughout, though with varying degrees of severity, depending on the exposure of each economy to the commodities markets. But even a relatively diverse and sophisticated economy like Morocco's remains vulnerable to fluctuations in the prices of key raw materials such as phosphate.⁴

The importance of politics

Another theme that emerges repeatedly when looking at the countries in this report is the importance of politics. In Turkey, for instance, an attempted coup in 2016 was followed by a sharp economic downturn. Decisive government

action was initially able to mitigate these problems. But since then, increased tensions with the US and investor concerns over the government's economic policies have seen the lira decline in value precipitously and the rate of economic growth slow from over 7% in 2017 to around 5% by the end of 2018.⁵

In South Africa, power shortages arising from a lack of investment in infrastructure have made a difficult economic recovery even more challenging. In January 2019, the World Bank cut its forecast for South African whole-year economic growth from 1.8% to just 1.3%. It cited high unemployment, tight credit conditions for private households and consequent lower than hoped domestic demand as the reasons for its cautions.⁶

In Kenya, a disputed election in August 2017 gave rise to fears that political turmoil would undermine economic growth. But by the end of last year, the World Bank was forecasting whole-year growth of 5.7% in 2018, compared to just 4.9% in the previous year. Reasons for the rebound include good rains, leading to a better harvest, a high rate of remittances from overseas workers and strong consumer demand.⁷

The goal of diversification

More than half of the countries here fall into the UN middle income bracket⁸ and are trying to diversify so that they can move up the economic ranking by developing industries that add more value. The exceptions are Saudi Arabia,

the UAE, and Israel. All have incomes per capita that rank them as 'developed' countries. But both the UAE and Saudi Arabia remain overwhelmingly dependent on petro-chemicals and recognise the urgent need to diversify.⁹

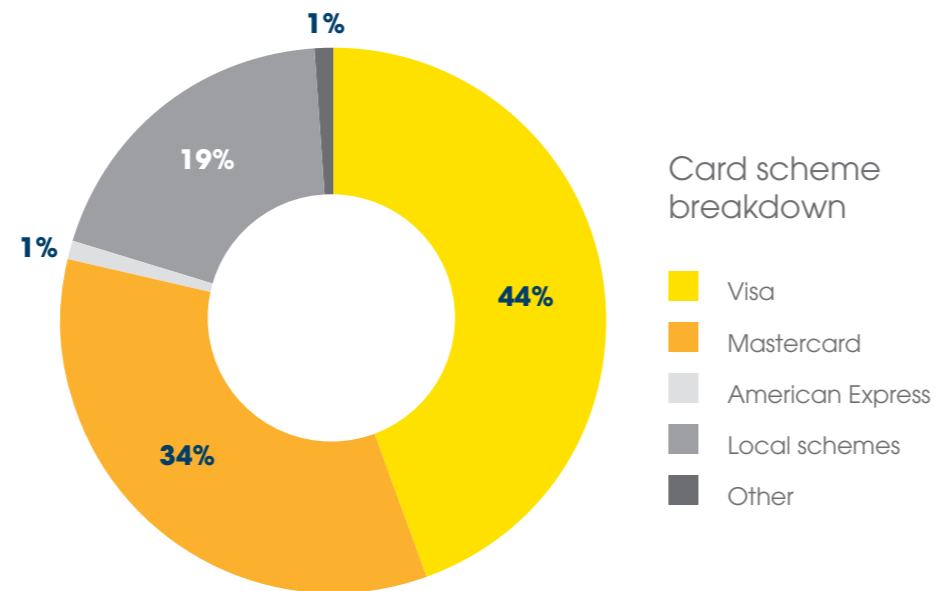
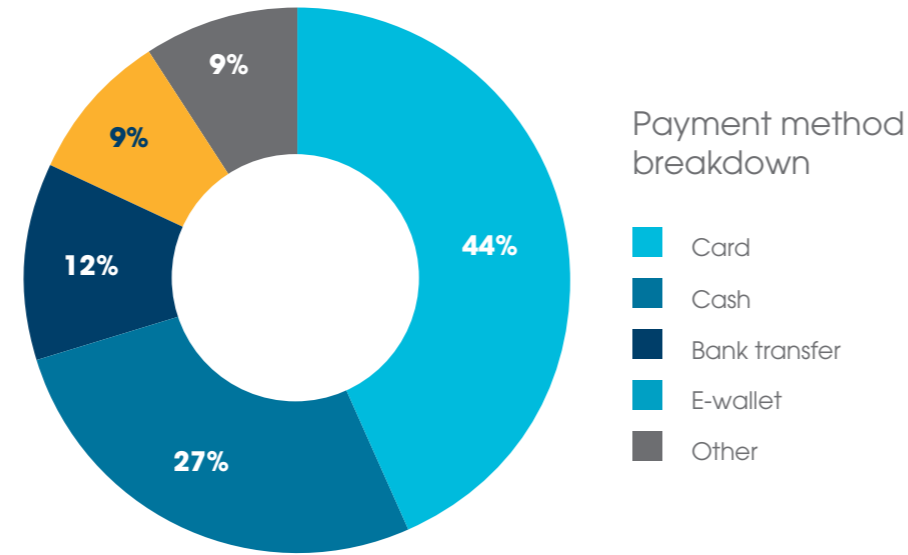
The only country in the report that isn't pressingly concerned with diversification is Israel. Finished consumer and capital goods already account for almost 50% of its exports.³ But even Israel is grappling with economic challenges. Whilst productivity per capita has overtaken the OECD average, there are still concerns that any improvement to GDP growth is more down to an increase in worker population than worker productivity.^{10,11}

1. GDP growth (annual %), World Bank.
2. South Africa's economy 'in crisis', 24 February 2016, BBC News.
3. World Integrated Trade Solution country profile, World Bank.
4. Morocco: seeking a second wind, Stephane Alby, BNP Paribas, March 2017.
5. Turkish economic growth dips, lira crisis darkens outlook. Ali Kucukgocmen, Daren Butler, Reuters, 10 Sept 2018.
6. World Bank cuts South Africa's GDP growth for 2019, BusinessTech South Africa, 9 January 2019.
7. Kenya's Economy Poised to Rebound in 2018 and Remain Robust through 2020, The World Bank, 10 October 2018.
8. List of MICs, High-level Conference of Middle-income Countries.
9. Economic Diversification in Oil-Exporting Arab Countries, April 2016, International Monetary Fund.
10. OECD Productivity Statistics: GDP per capita and productivity growth.
11. Israel's economy: Should We Be Saying Goodbye to Growth?, 24 May 2018, Meirav Arlosoroff, Haaretz.

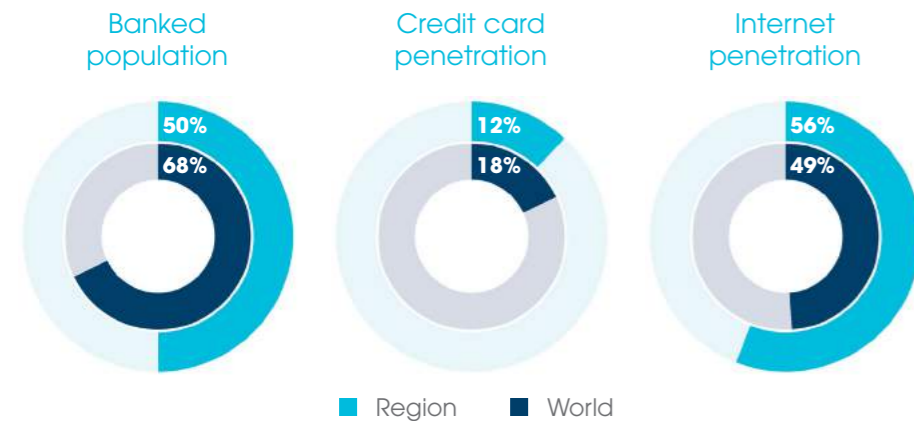
Regional payment trends

	Region	World
Population	562.4 million	7,4 billion
Population (15+)	367.2 million	5,5 billion
GDP (millions)	3,412,992	79,211,592
GDP per capita (\$)	6,069.00	10,741.00
B2C e-commerce	61.1 billion	2,932.9 billion
B2C e-commerce growth	27%	15%
Online population	312.3 million	3.6 billion
Smartphone penetration	50%	53%
Average online spend (\$)	768.00	2,335.00
Mobile e-commerce	36%	45%
E-commerce % of total retail	4%	16%

Currencies in this report are always depicted in \$USD



- Egypt 8
- Israel 10
- Kenya 12
- Morocco 14
- Nigeria 16
- Saudi Arabia 18
- South Africa 20
- Turkey 22
- United Arab Emirates 24





17%
e-commerce growth

Egypt

In early 2018, Egyptian tourism revenue jumped to \$4.8 billion, up 77% compared with the same period in 2017. From 2012 to 2017, unemployment hovered at just under 12%, before dropping to 9.9% by August 2018. Inflation soared to 33% in July 2017, after Egypt devalued the pound in November 2016 and was given access to an IMF loan of \$12 billion. In response, the Egyptian authorities increased interest rates by 2% and by May 2018, inflation had fallen back down to 11.4%. That was the lowest in two years, but still left Egypt with high inflation by global standards. At that point, Egypt's central bank expressed concerns that rising oil prices could fuel a renewed rise in inflation, despite its best efforts at mitigation. This proved to be true, as interest rates rose to 17.7% in October 2018, before returning to 11.97% by December.



B2C e-commerce
6.2 billion USD

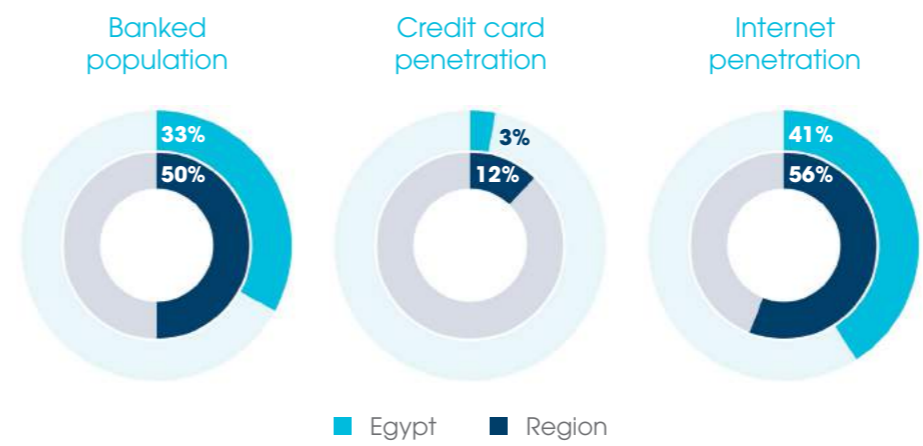


Mobile e-commerce
38% of total



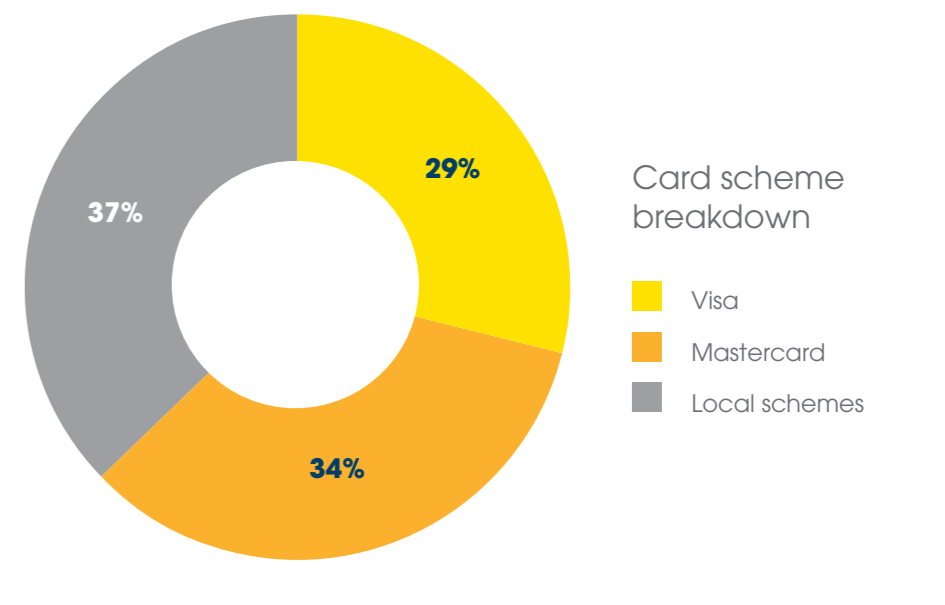
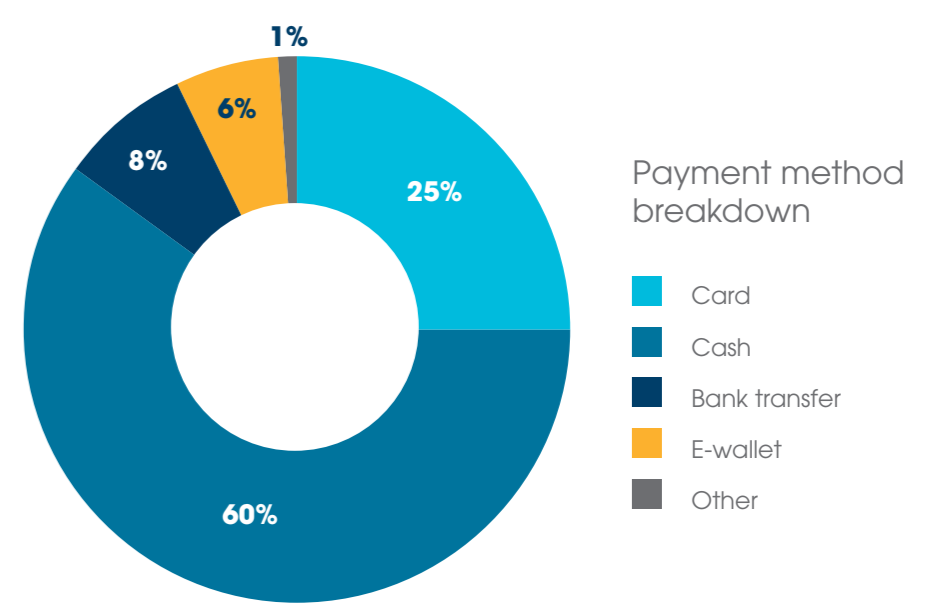
Average online spend
303 USD

	Egypt	Region	World
Population	97.6 million	562.4 million	7.4 billion
Population (15+)	64.9 million	367.2 million	5.5 billion
GDP (millions)	235,369	3,412,992	79,211,592
GDP per capita (\$)	2,413.00	6,069.00	10,741.00
Online population	40.2 million	312.3 million	3.6 billion
Smartphone penetration	37%	50%	53%
E-commerce % of total retail	1%	4%	16%



Top e-commerce segments

- Electrical Goods
- Airlines & Hotels
- Clothing & Footwear





Israel

In February 2018, the Israeli energy company Delek Group signed a \$15 billion deal to supply natural gas to Egypt. And by the end of 2018, Israel successfully negotiated the EastMed Pipeline Project worth \$7 billion, bringing Israeli gas to Cyprus, Greece and Italy. This represents both a startling political success and a huge stroke of luck for a country that didn't have a natural gas industry until, in the early and mid-2000s, it discovered it was sitting on top of more than 10 trillion cubic feet of natural gas. And these are just two sectors of the Israeli economy. Exports of pearls, precious stones, metals and coins, for instance, are worth around \$11.7 billion a year, representing 22% of Israeli exports. Electrical and electronic equipment make up another 13%, worth \$6.81 billion, and pharmaceutical products garner another \$6.36 billion.



B2C e-commerce
7 billion USD



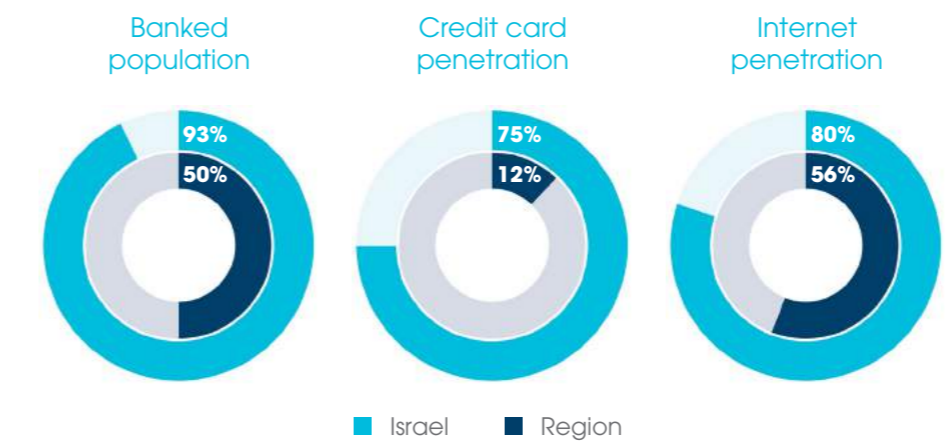
Mobile e-commerce
14% of total



Average online spend
1,602 USD

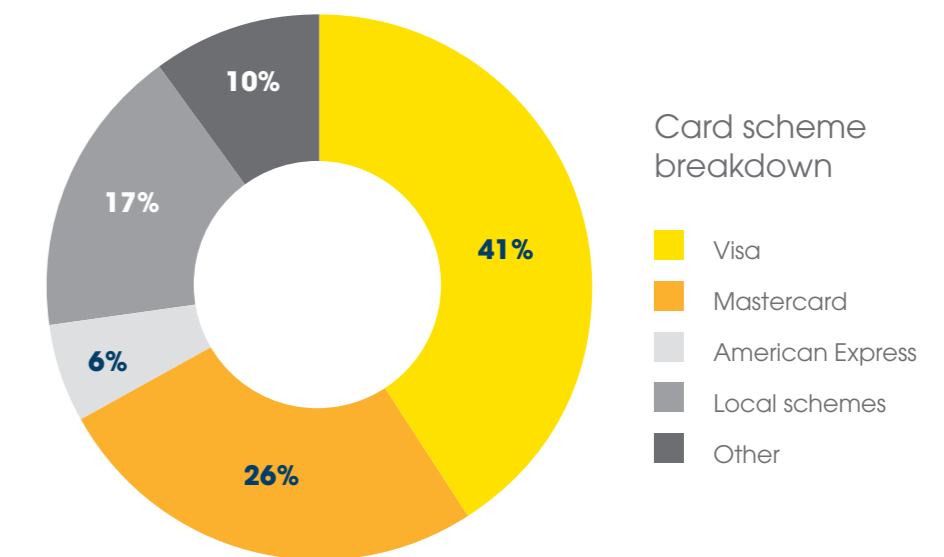
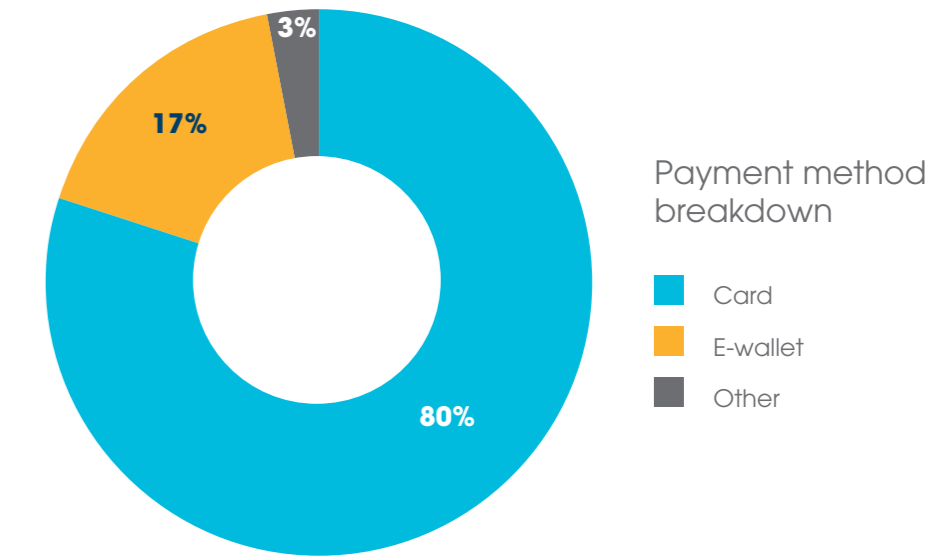
13%
e-commerce growth

	Israel	Region	World
Population	8.7 million	562.4 million	7.4 billion
Population (15+)	6.2 million	367.2 million	5.5 billion
GDP (millions)	350,851	3,412,992	79,211,592
GDP per capita (\$)	40,270.00	6,069.00	10,741.00
Online population	6.9 million	312.3 million	3.6 billion
Smartphone penetration	83%	50%	53%
E-commerce % of total retail	6%	4%	16%



Top e-commerce segments

- Electrical Goods
- Clothing & Footwear
- Food & Drink





21%
e-commerce growth

Kenya

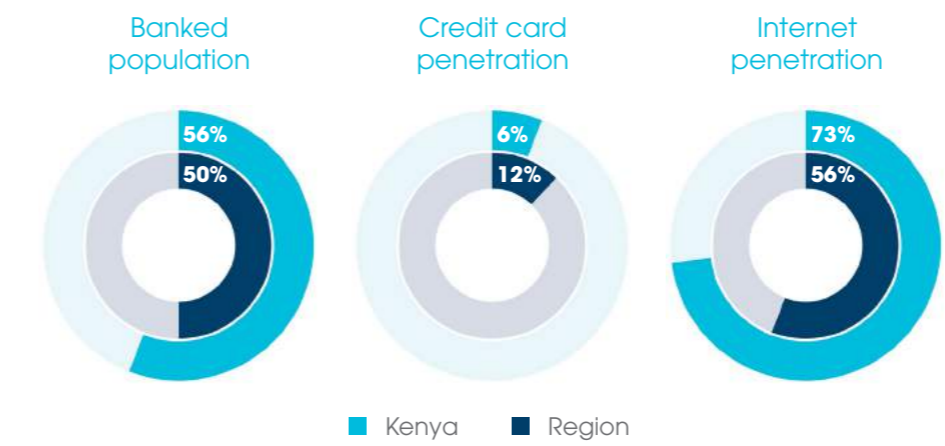
According to the Economic Survey 2018, Kenya's digital economy is booming. Its information and communication technology (ICT) sector grew by 9.7% in 2016 and 11% in 2017. Valued at Ksh 345.1 billion (\$3.4 billion), this growth has been driven by improved performance in mobile telephony and e-commerce. According to the World Bank's 18th Kenya Economic Update, the country's economy grew by 5.7% in 2018, up from 4.9% in 2017, and shows marked improvement from the low in 2016. The bank attributes this rebound to steady growth in agriculture, industrial activity and the services sector, and the results can be seen in greater household consumption and private investment. The prospects for 2019 are also optimistic, with forecasts for 5.8% growth in 2019 and 6.0% in 2020.


B2C e-commerce
0.2 billion USD


Mobile e-commerce
51% of total

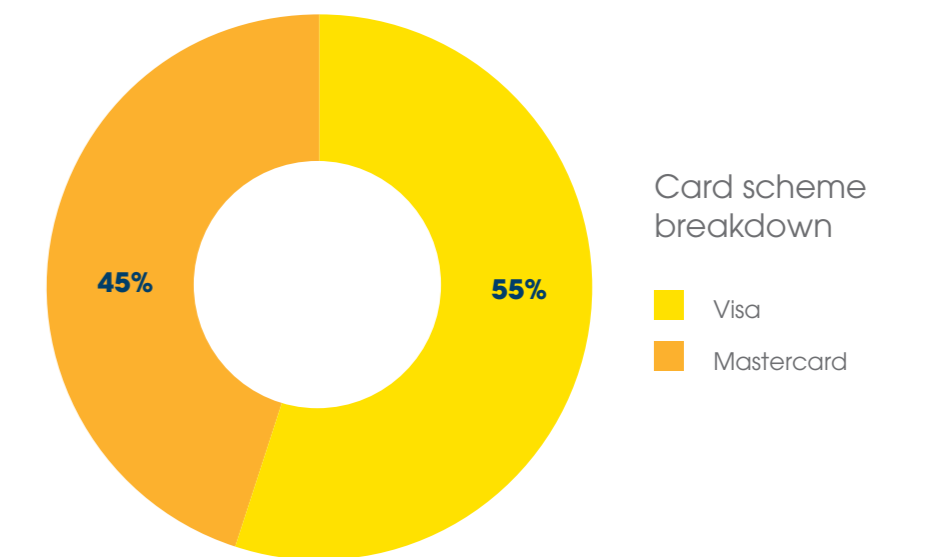
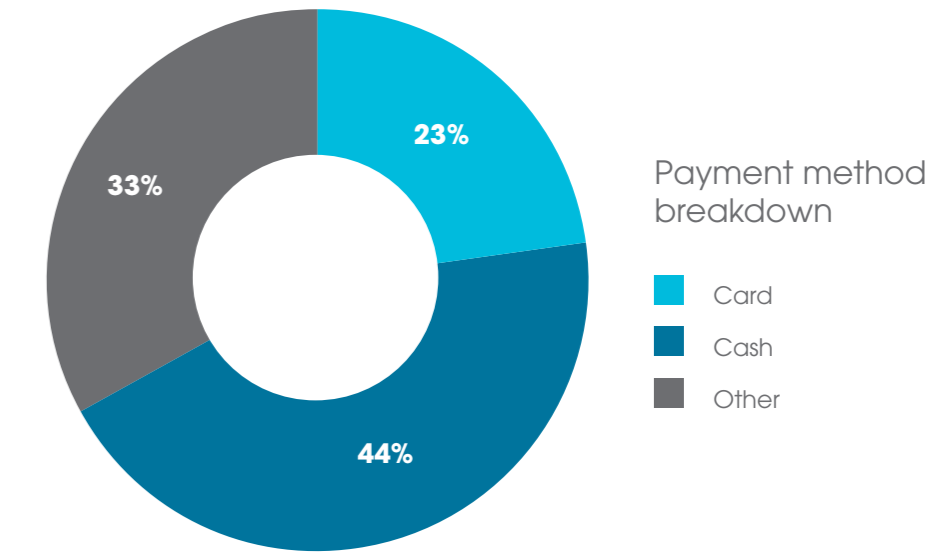

Average online spend
24 USD

	Kenya	Region	World
Population	49.7 million	562.4 million	7.4 billion
Population (15+)	29.6 million	367.2 million	5.5 billion
GDP (millions)	74,938	3,412,992	79,211,592
GDP per capita (\$)	1,508.00	6,069.00	10,741.00
Online population	36.1 million	312.3 million	3.6 billion
Smartphone penetration	60%	50%	53%
E-commerce % of total retail	1%	4%	16%



Top e-commerce segments

- Electrical Goods
- Homewares & Furniture
- Clothing & Footwear





Morocco

In 2018, Morocco's economy grew by 3.4%, down from 4.1% in 2017, but is forecast to grow by 3.6% in 2019. Since 2001, consumption per capita in Morocco has increased by 3.3% annually. And for the bottom 20% of the population, consumption increased at a rate of 3.9% a year. Morocco's economy is predicted to pick up slightly over the next few years, thanks to increased tourism, business-friendly reforms and notable achievements in both mining and the automotive industries. In December 2017, the country announced 26 new automotive projects worth \$1.45 billion. By July 2018, the first car had rolled off the new assembly plant constructed in Rabat by the PSA Group - maker of the Peugeot, Citroën, DS, Opel and Vauxhall vehicles. In September, the group announced a further €560m investment in the plant.



B2C e-commerce
4.2 billion USD

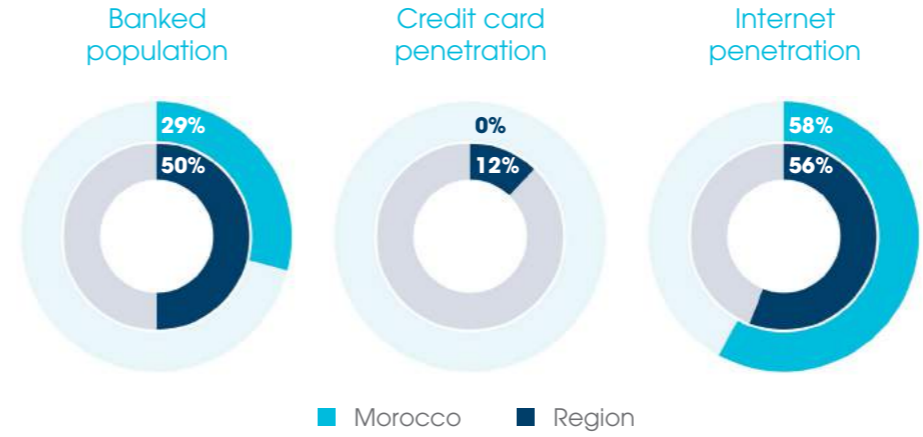


Mobile e-commerce
56% of total



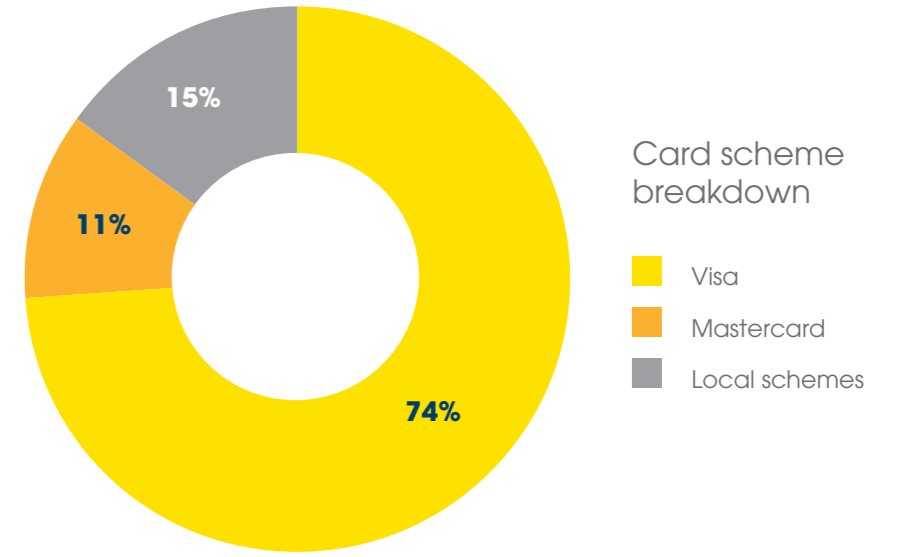
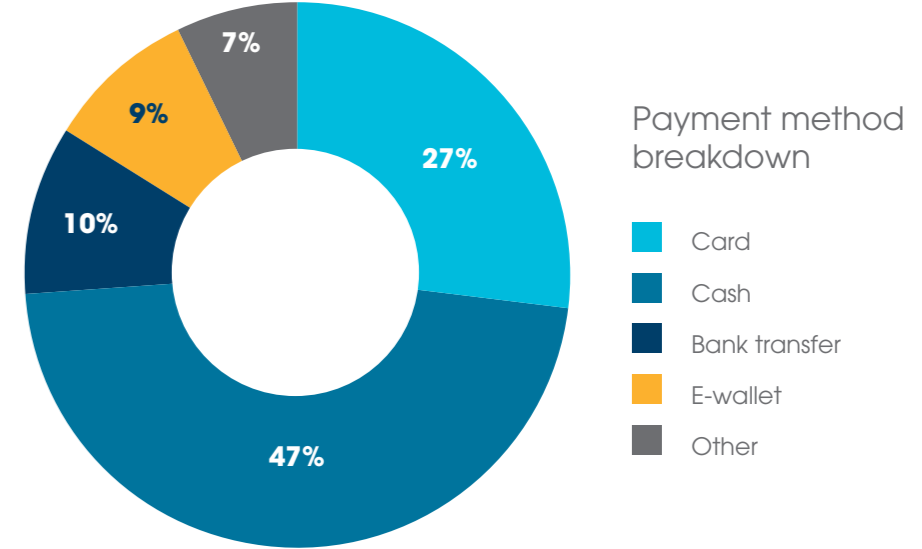
Average online spend
979 USD

	Morocco	Region	World
Population	35.7 million	562.4 million	7.4 billion
Population (15+)	26 million	367.2 million	5.5 billion
GDP (millions)	109,139	3,412,992	79,211,592
GDP per capita (\$)	3,007.00	6,069.00	10,741.00
Online population	20.8 million	312.3 million	3.6 billion
Smartphone penetration	57%	50%	53%
E-commerce % of total retail	1%	4%	16%



Top e-commerce segments

- Clothing & Footwear
- Electrical Goods
- Airlines & Hotels



12%
e-commerce growth



42%
e-commerce growth

Nigeria

2018 saw a 9% rise in Nigerian oil output compared with 2017, amounting to 2.09 million barrels a day, helping GDP grow by just under 2% year-on-year (around 10% of Nigeria's GDP comes from oil revenue). 2018 also saw prices crash back down to 2016 levels, falling from \$85 a barrel in October to less than \$50 in December. The market is now returning to stability. Despite this boost to Nigeria's biggest industry, 2018 growth was actually down in the final quarter of 2017. But even with this relative slowdown, the economy has grown for six quarters in a row. Defying government attempts to diversify away from oil, the country's economic buoyancy remains very much tied to the oil market. Crude oil exports represent 85.4% of all Nigerian exports, with other oil products making up another 11.2%.



B2C e-commerce
13 billion USD

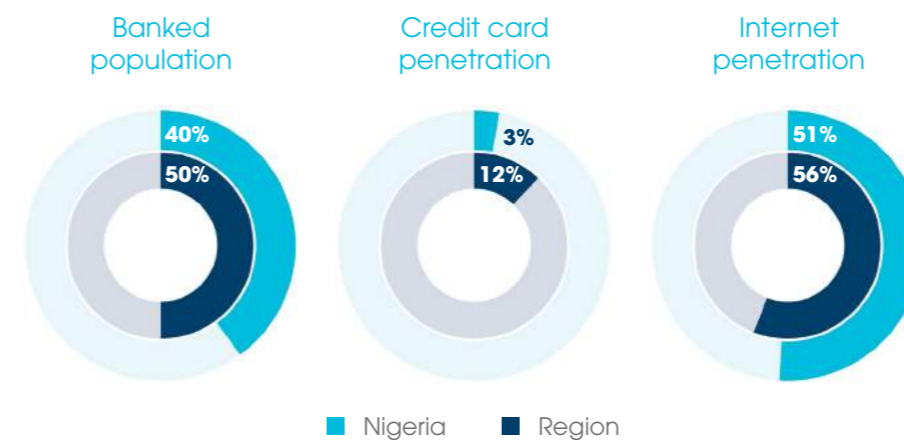


Mobile e-commerce
40% of total



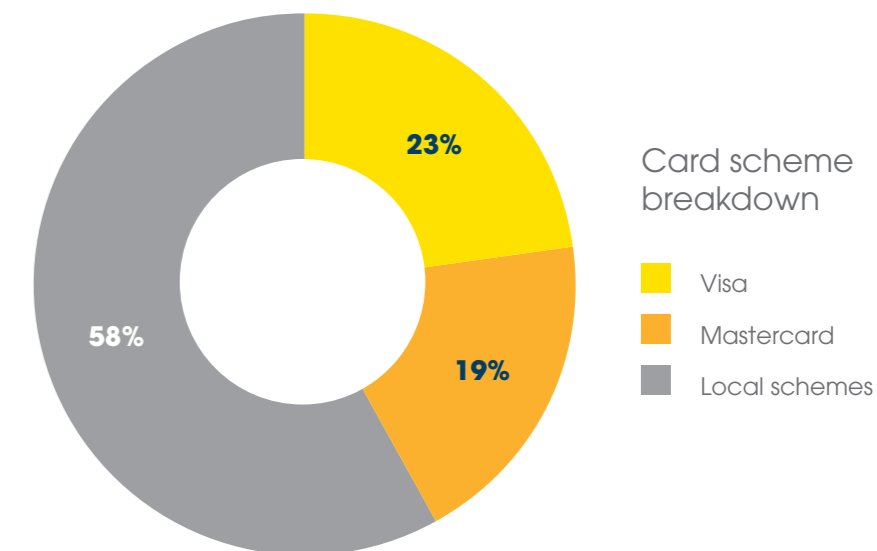
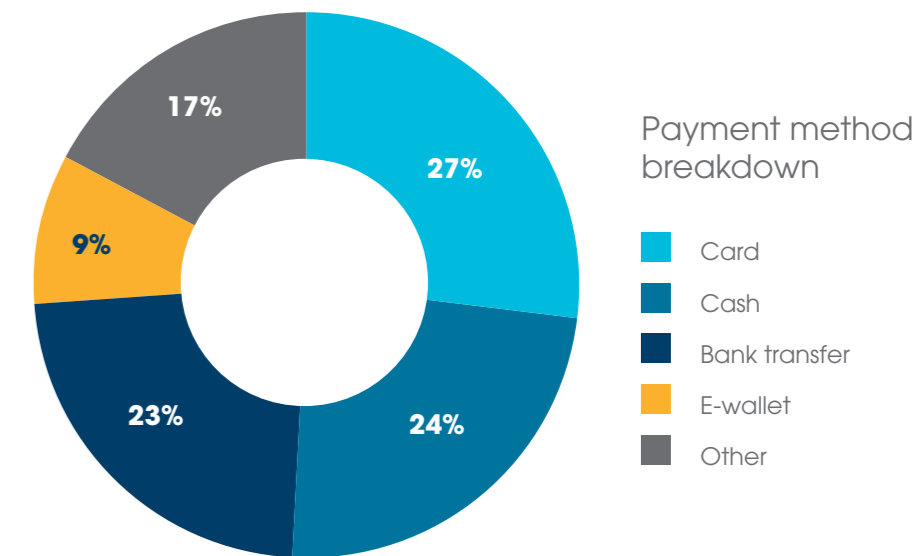
Average online spend
401 USD

	Nigeria	Region	World
Population	190.9 million	562.4 million	7.4 billion
Population (15+)	106.9 million	367.2 million	5.5 billion
GDP (millions)	375,771	3,412,992	79,211,592
GDP per capita (\$)	1,969.00	6,069.00	10,741.00
Online population	97.5 million	312.3 million	3.6 billion
Smartphone penetration	32%	50%	53%
E-commerce % of total retail	1%	4%	16%



Top e-commerce segments

- Airlines & Hotels (17%)
- Electrical Goods (12%)
- Clothing & Footwear (11%)





Saudi Arabia

Saudi Arabia is the world's largest exporter of petroleum, possessing about 16% of the world's proven reserves. Oil accounts for roughly 87% of budget revenues, 42% of GDP and 90% of export earnings. For the last half a century, this oil bonanza has financed a generous welfare state. Over half the country's population receive some form of welfare payment, with unemployment down to 6%, in Q2 2018, from 6.1% in the previous quarter. However, that number goes up to 12.9% unemployed when discounting non-Saudis, as high education levels mean many see manual labour as below their status. Economic health is further weakened with 70% of the workforce employed by the public sector.

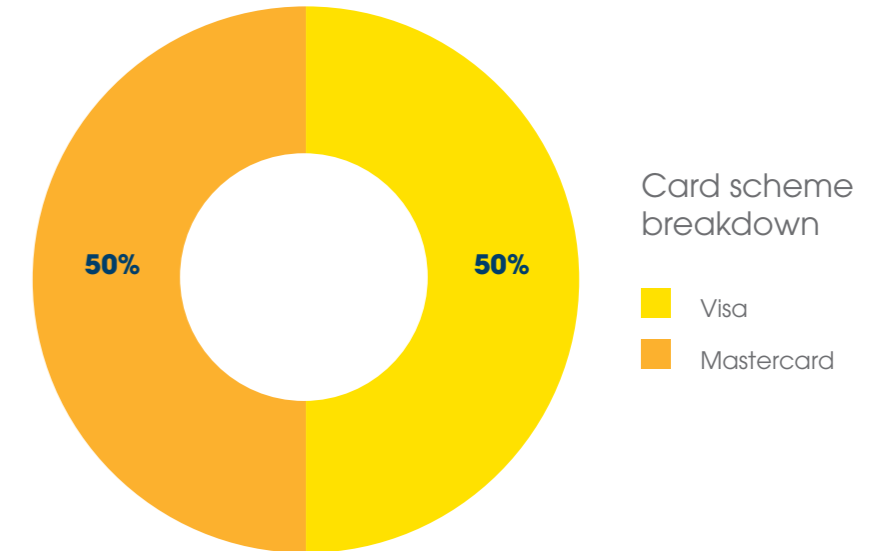
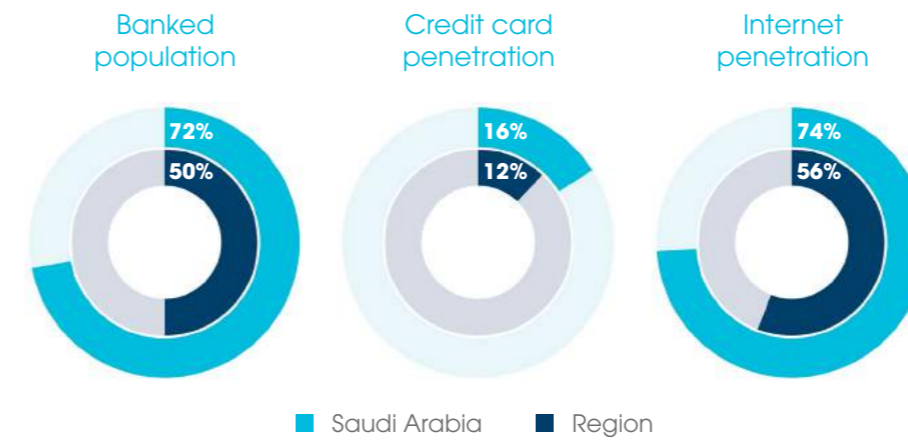
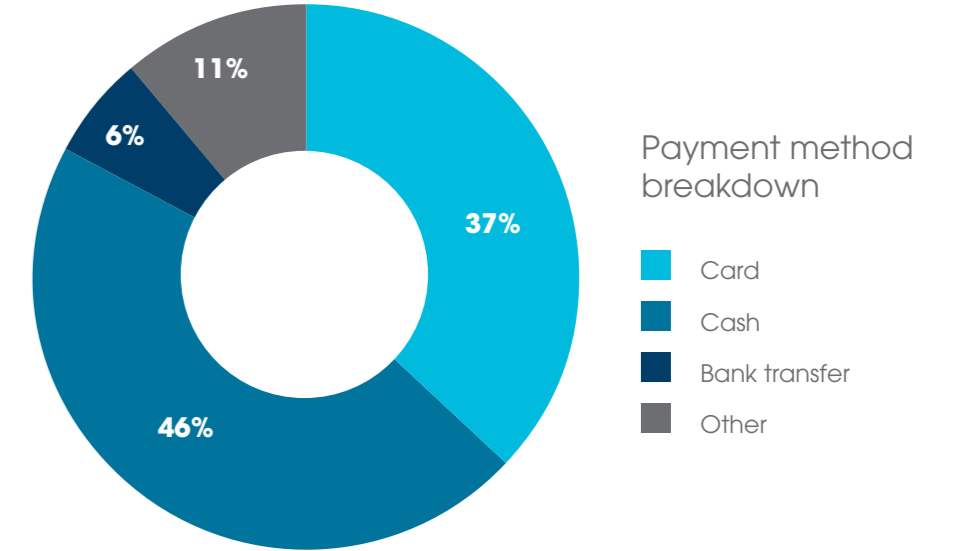
25%
e-commerce growth


B2C e-commerce
9.8 billion USD


Mobile e-commerce
42% of total


Average online spend
594 USD

	Saudi Arabia	Region	World
Population	32.9 million	562.4 million	7.4 billion
Population (15+)	24.6 million	367.2 million	5.5 billion
GDP (millions)	683,827	3,412,992	79,211,592
GDP per capita (\$)	20,761.00	6,069.00	10,741.00
Online population	24.3 million	312.3 million	3.6 billion
Smartphone penetration	88%	50%	53%
E-commerce % of total retail	9%	4%	16%



Top e-commerce segments

- Airlines & Hotels
- Clothing & Footwear
- Electrical Goods

 Mobiomo  OneCard  SADAD



South Africa

2017 saw a GDP growth in South Africa of only 1.3%, but improved to 1.4% in 2018, predicted to reach 1.8% in 2019 and 1.9% in 2020. 60% of South Africa's exports are raw materials and intermediate goods (semi-finished products, exported for use in manufacture elsewhere). The biggest market for these materials is China, which absorbs almost 10% of all South Africa's exports. Unsurprisingly, the collapse in commodity prices after 2015 had a severe impact on South Africa. Growth was further limited by power shortages, which hampered industrial output, a lack of capital investment in areas other than mining and an uncertain political climate deterring investment. Today, household spending is on the rise, and activity in the manufacturing and retail sectors has been growing since October.



B2C e-commerce
2.1 billion USD



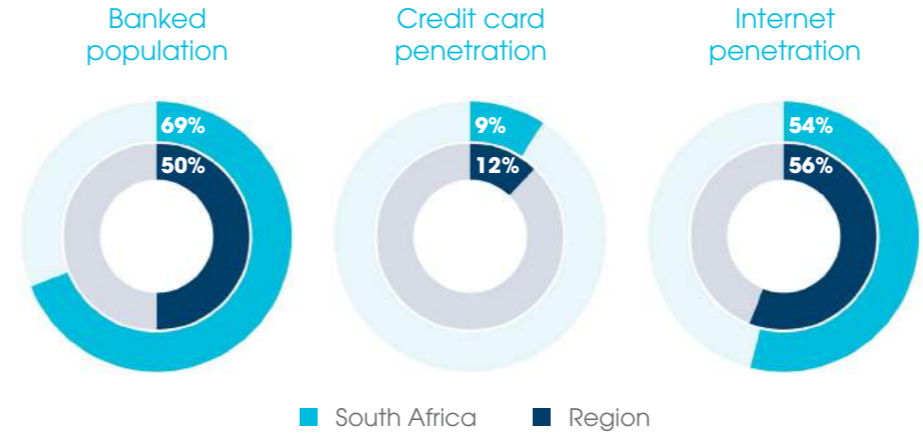
Mobile e-commerce
45% of total



Average online spend
80 USD

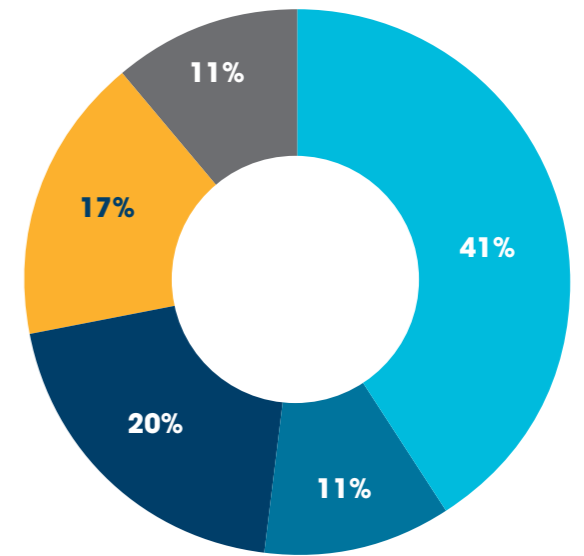
20%
e-commerce growth

	South Africa	Region	World
Population	56.7 million	562.4 million	7.4 billion
Population (15+)	40.3 million	367.2 million	5.5 billion
GDP (millions)	349,419	3,412,992	79,211,592
GDP per capita (\$)	6,161.00	6,069.00	10,741.00
Online population	30.6 million	312.3 million	3.6 billion
Smartphone penetration	64%	50%	53%
E-commerce % of total retail	2%	4%	16%



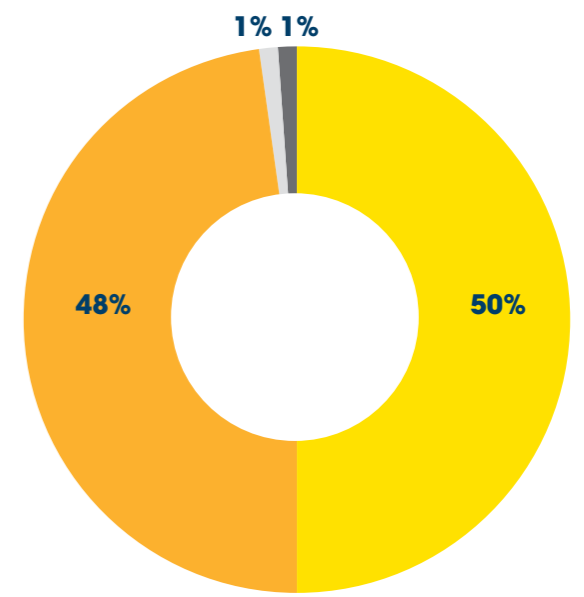
Top e-commerce segments

- Airlines & Hotels (18%)
- Electrical Goods (12%)
- Clothing & Footwear (11%)



Payment method breakdown

- Card
- Cash
- Bank transfer
- E-wallet
- Other



Card scheme breakdown

- Visa
- Mastercard
- American Express
- Other



37%
e-commerce growth



B2C e-commerce
11.2 billion USD



Mobile e-commerce
23% of total

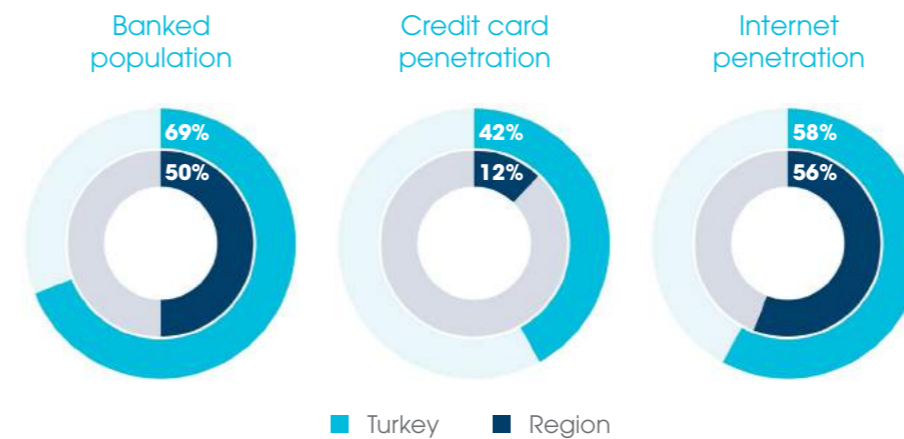


Average online spend
814 USD

Turkey

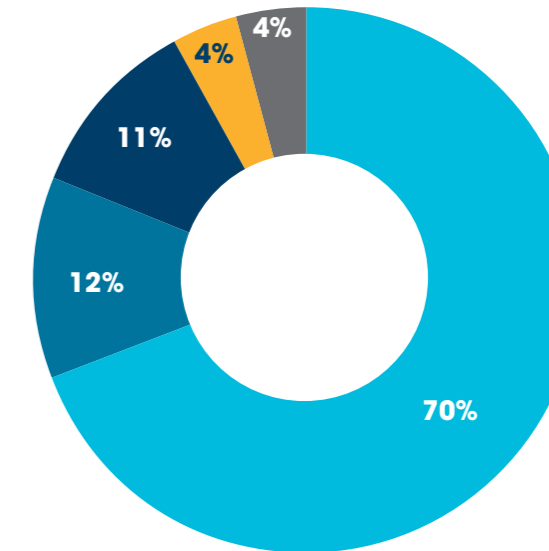
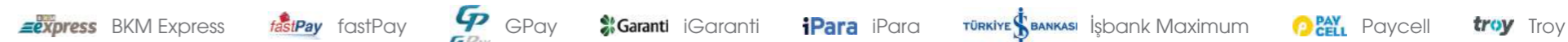
In 2017, the lira fell 20% in value against the dollar. Following a sell-off in the lira in 2018, the currency dropped to 7.22 against the dollar in August. Because of the run on the lira, there were fears that the Turkish economy might slip into a prolonged recession. To prevent this, Ankara enacted a generous economic stimulus, which included repealing a 6.7% consumption tax and the government underwriting of nearly \$50 billion of loans to businesses. These measures and more continue to be in place in 2019, in an attempt to mitigate the impact of the devaluation of the lira against the dollar. But with capital leaving the country and Turkish banks struggling to refinance loans, the Turkish Central Bank was forced to adjust its 2018 inflation figures up from 13.4% to 23.5%.

	Turkey	Region	World
Population	80.7 million	562.4 million	7.4 billion
Population (15+)	60.6 million	367.2 million	5.5 billion
GDP (millions)	851,102	3,412,992	79,211,592
GDP per capita (\$)	10,541.00	6,069.00	10,741.00
Online population	47.1 million	312.3 million	3.6 billion
Smartphone penetration	68%	50%	53%
E-commerce % of total retail	5%	4%	16%



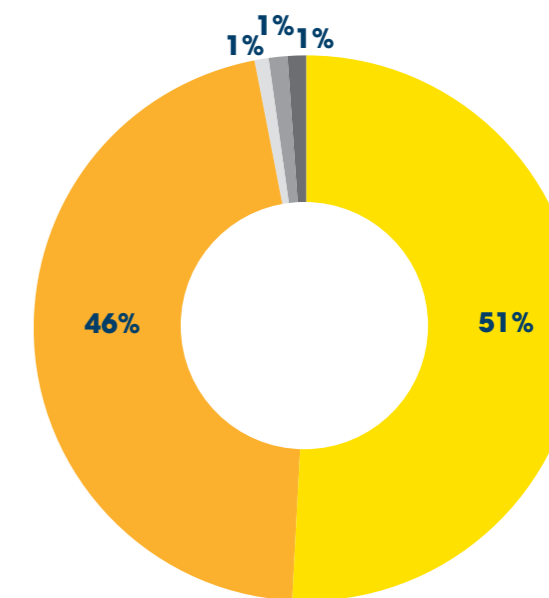
Top e-commerce segments

Electrical Goods (14%)
Airlines & Hotels (14%)
Food & Drink (12%)



Payment method breakdown

- Card
- Cash
- Bank transfer
- E-wallet
- Other



Card scheme breakdown

- Visa
- Mastercard
- American Express
- Local schemes
- Other



United Arab Emirates

The UAE's economy minister expects the country's economy to have grown at a rate of 2.5-3% in 2018, and by more than 3% in 2019. The biggest economic sector is easily oil and gas extraction, which accounts for 34% of GDP and about 32% of all exports. The aviation industry represents 15% of the economy and is expected to rise to 20% in the next few years, tourism accounts for 11.3%, and the construction industry is worth more than \$220 billion. In fact, the UAE's non-oil sector is expected to grow by 3.6% year-on-year. In December 2017, the UAE announced a new diplomatic and military alliance with Saudi Arabia. The two countries pledged tighter co-operation in their blockade of Qatar – which they accuse of funding terrorism – and in their fight against Houthi rebels in Yemen.

18%
e-commerce growth



B2C e-commerce
7.4 billion USD

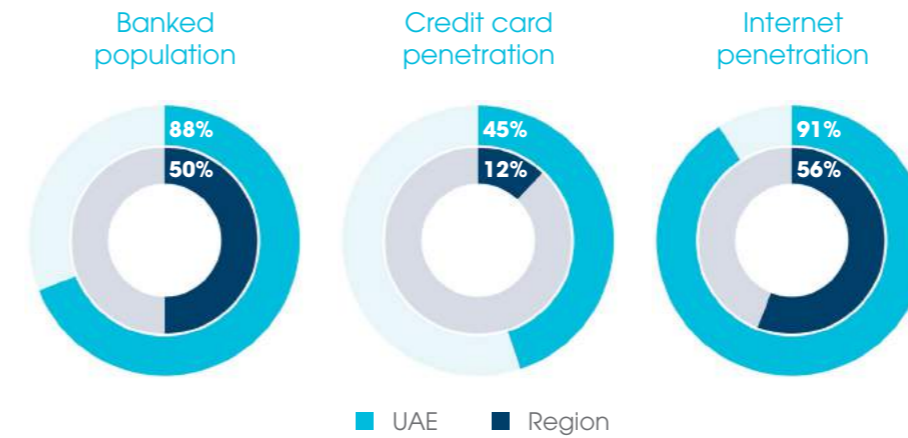


Mobile e-commerce
49% of total



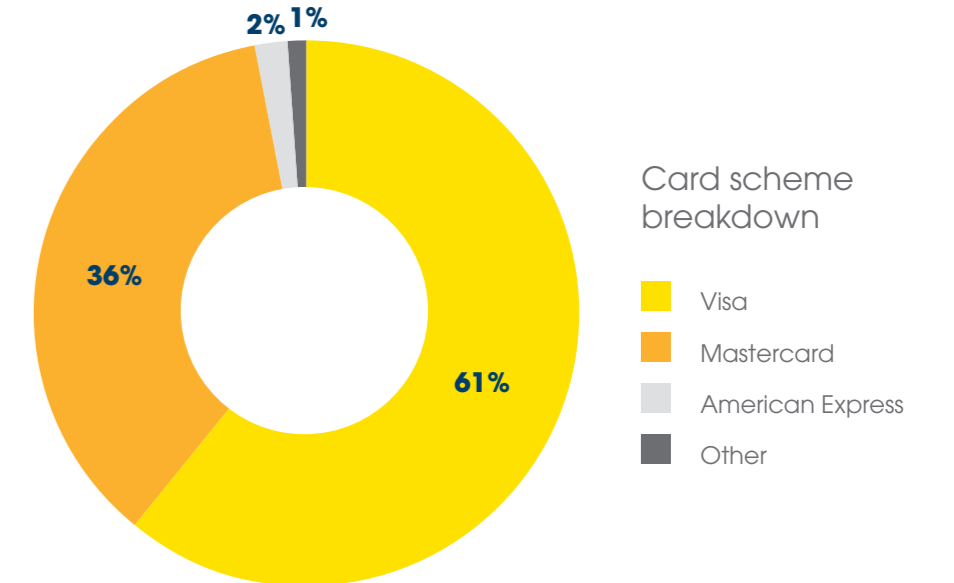
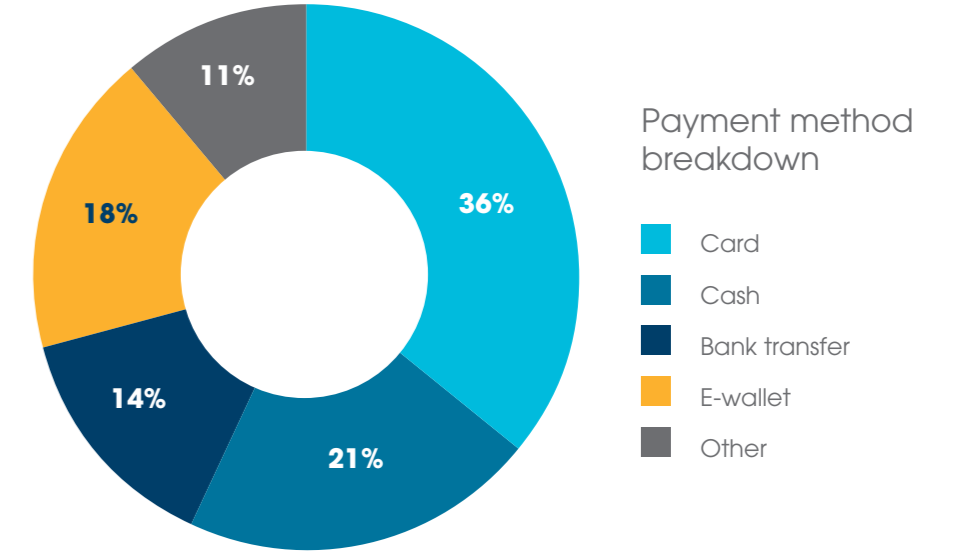
Average online spend
1,277 USD

	UAE	Region	World
Population	9.4 million	562.4 million	7.4 billion
Population (15+)	8 million	367.2 million	5.5 billion
GDP (millions)	382,575	3,412,992	79,211,592
GDP per capita (\$)	40,699.00	6,069.00	10,741.00
Online population	8.5 million	312.3 million	3.6 billion
Smartphone penetration	91%	50%	53%
E-commerce % of total retail	5%	4%	16%



Top e-commerce segments

- Airlines & Hotels (23%)
- Electrical Goods (10%)
- Food & Drink (9%)



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PPRO reduces the complexity of international e-commerce payments by acquiring, collecting and processing an extensive range of local payment methods for PSPs and financial institutions under one contract, through one integration and one single settlement.

As a solution provider selling indirectly through industry partners, PPRO specialises in cross-border e-payments. We are working with PSPs and financial institutions, such as acquirers, to help them offer a vast range of local payment options to their merchant customers.

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The Online Almanac



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Data Methodology

Edgar, Dunn & Company (EDC) uses a combination of sources and methods to support the PPRO Database. Where possible consistent sources are used for all markets to maintain the highest level of data integrity. EDC data sources can be split into three main areas:

1. Globally recognized, publicly available databases & resources
2. Central banks / national e-commerce associations / national internet associations
3. EDC proprietary data and models

Using a combination of these data sources allows EDC to best build a complete picture of the market.

The e-commerce market and payment methods develop at a fast pace. We therefore prepare and update our regional and country reports frequently. If you are interested in obtaining updated versions, please contact us. We also have comprehensive data on all payment methods worldwide. For global e-commerce and market information that meets your needs, just get in touch with us at PPRO.

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