



Food services in Saudi Arabia and the UAE

Research | August 26 2024

Highlights

- The food services sectors of Saudi Arabia and the UAE, encompassing restaurants, catering, and cloud kitchens, have registered strong growth over the past several years.
- The social changes seen in Saudi Arabia have driven an especially robust expansion, and this is likely to continue in the coming years as social norms continue to adapt and the country develops a domestic leisure tourism sector.
- An accelerated expansion in the UAE's population coming out of the pandemic has driven similar growth in the UAE's food services sector, and given official plans to grow the number of inhabitants further, the outlook for the coming years is positive.

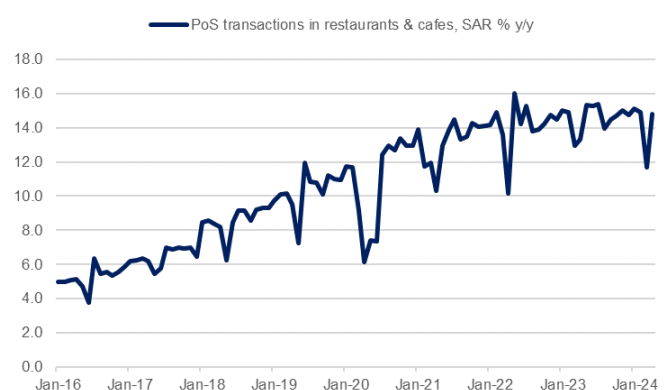
The food services sector can be understood as all establishments involved with the preparation of meals ready to eat by consumers, thereby excluding grocery outlets but including cloud (also known as ghost or dark) kitchens that produce ready-to-eat meals for third party establishments either on the premises or by takeaway. Cafes, full-service restaurants, quick-service restaurants (or fast-food outlets), and canteens would all fall under the definition, and all are set to continue their rapid growth trajectory in Saudi Arabia and the UAE in the coming years.

Saudi Arabia

The food services sector in Saudi Arabia has already logged impressive growth over the past decade. While some of the recent expansion can be explained as reopening gains coming out of the pandemic, gains are also being driven by the social and economic changes that have taken place in the country over the past eight years or so. The easing of social restrictions has led to a plethora of new restaurants and cafes being established around the country in a trend we expect to continue as social norms continue to adapt to the new environment. Robust economic growth will also fuel the expansion as households have greater disposable cash with which to eat out or order in, and a growing population, with the

number of both citizens and immigrant workers expanding, will also contribute to growth in the sector. Finally, the government-led drive to rapidly expand the domestic tourism sector will fuel a further expansion.

Robust spending growth



Source: Haver Analytics, Emirates NBD Research

In 2021, the Saudi Arabian General Authority for Investment predicted that consumer spending on food services would expand by 6% annually over the following five years, and the data we have so far is supportive of this prediction. While food services specifically are not given in the national accounts breakdown, the wholesale & retail trade, restaurants & hotels component of GDP

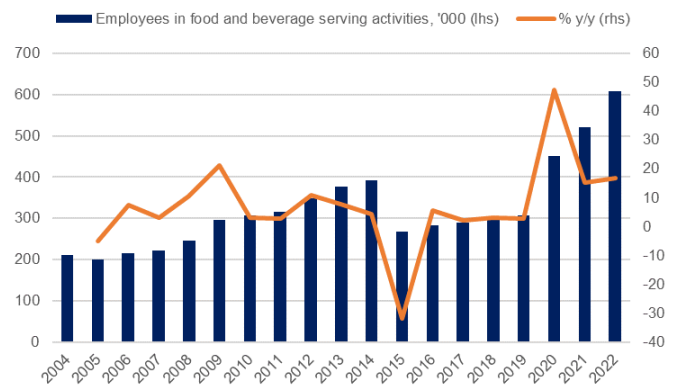
has logged an average annual growth rate of 8.3% over 2021 to 2023. Some of this is post-reopening gains, but the robust pace of expansion has continued even as these are all won, with Q1 data showing a y/y expansion of 5.9%. Consumer spending has continued to grow at a rapid clip and point of sales transactions in restaurants and cafes was up an average 11.4% y/y over January to April this year, outpacing almost all other categories. With inflation averaging just 1.6% y/y over the period, this indicates strong real growth in spending on food services.

According to the United Nations World Tourism Organisation (UNWTO), the number of food-serving establishments in Saudi Arabia had risen to 60,000 in 2020, up from fewer than 40,000 just a few years earlier. This rapid growth dovetails with the relaxation of social restrictions in Saudi Arabia, and also the growth of the leisure tourism sector for which restrictions were eased in 2019. While the pandemic will have negatively impacted the number of establishments, they have likely rebounded strongly since then, especially given that employment in food services has risen swiftly. This reached 608,700 in 2022 according to the UNWTO, a new record and 16.9% growth y/y. In pre-pandemic 2019, there were still only 306,500 employees in food services, meaning that the number has all but doubled in the interim.

The growth opportunities in the food services sector have prompted increased investment by domestic and international companies, and an ongoing expansion in both well-known international brands and also domestic franchises which command their own brand loyalty. Americana Restaurants is one of the biggest operators in the country, with the license for key international brands including KFC, Pizza Hut, and TGI Fridays and a total of 687 restaurants in the country. Catrion, formerly Saudi Airlines Catering, is another major player, and is targeting 50% of revenue from non-aviation activities as it looks to expand. Kuwait-based Al-Shaya is also a notable company, operating the Starbucks franchise in Saudi Arabia. There are presently 450 Starbucks outlets in KSA, a number likely to continue growing in line with the

expanding population and the social changes still feeding through the country.

An expanding labour force



Source: UNWTO, Emirates NBD Research

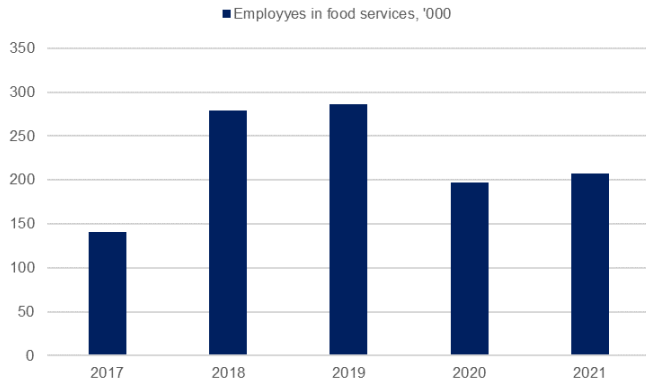
UAE

The UAE's food services sector is substantially smaller than Saudi Arabia's, which stands to reason given the smaller economy and smaller population. However, on a per-capita basis there are more food outlets than in its larger neighbour, reflecting the much larger leisure tourism sector, the higher GDP per capita, and the longer-established norm of actively socialising in commercial eateries and cafes.

According to the UNWTO, there were 22,517 food and beverage serving establishments in the UAE in 2021. More recent estimates put this figure closer to 30,000 presently but this is still around half of the number across the border in Saudi Arabia. Most of these establishments are concentrated in the two largest emirates of Abu Dhabi and Dubai, with around 18,000 in Dubai. In terms of employment, there were 207,600 employees involved in F&B serving activities in the UAE in 2021, up from the 2020 low of 197,200 but still much lower than pre-pandemic 286,100. This has likely rebounded over the past several years as the impact of the Covid-19 pandemic has faded, and the population has expanded significantly.



Pandemic hit jobs numbers



Source: WTO, Emirates NBD Research

While we do not have detailed census data for the UAE the like of which was recently published for Saudi Arabia, a host of proxy indicators suggest that there has been substantial population growth over the past several years, especially in Dubai. KHDA figures put Dubai's school enrolment growth at 12% in both 2022 and 2023, and while 2024 figures are not yet available, private school operator Taaleem put its growth at 9% this year. Other indicators such as post-paid mobile phone and utilities subscriptions also suggest robust growth in the number of residents. Dubai's official target is for the population to expand to 5.8mn people by 2040, an increase of around 2mn, which presents significant growth opportunities for F&B operators.

Meanwhile, the number of tourists coming to the country continues to expand rapidly. In Dubai, the emirate welcomed a record 9.31mn international overnight visitors across the first six months of 2024, registering an 8.9% increase on the 8.55mn logged in H1 2023 and up 11.4% on pre-pandemic 2019. In Abu Dhabi, there were 2.4mn guests over January to May this year according to Emirates News Agency WAM. These numbers generate huge demand not only for restaurants around the cities, but also for catering services within hotels. ADNHH (Abu Dhabi National Hotels) Catering claims to be the UAE's largest provider of food services, serving over 11mn meals each month.

The growth in the food services sector can be seen in the UAE's national accounts data. While similarly to Saudi Arabia there is no individual line item for food services, the accommodation and food services component of GDP has averaged growth of 9.7% over the three years to 2023. Much of this was reopening gains, but the expansion rate was still 5.5% last year once these had all arguably been logged, and with the growth in both population and tourism numbers, this robust pace has likely been maintained.

The food services sector in the UAE is very varied, with offerings from world-renowned global high cuisine brands to affordable street food carts. Dubai's Department of Economy & Tourism found in 2023 that casual dining accounted for most meals out, with the average being to eat out 4.9 times per month. Meanwhile, food delivery services continue to expand rapidly throughout the country and especially in the big urban areas. This has led to the rise of cloud kitchens in the UAE, especially as high-end restaurants increasingly start to offer food delivery services rather than just traditional takeaway options. Food delivery service Talabat has been investing heavily in the sector but it is far from the only player, with Kitopi another key operator that has seen remarkable growth over the past several years.

Boosting headline GDP growth



Source: Haver Analytics, Emirates NBD Research

The huge number of passengers traveling on the UAE's airlines also generate huge demand for food services,

and this is likely to continue as the country's plans to expand the aviation sector continue to bear fruit. In fiscal 2023/24, Emirates carried 51.9mn passengers, growth of 19% on the previous year, and Emirates Flight Catering supplied 76.9mn meals to airline customers, also up 19%.

Daniel Richards
Senior Economist
Group Research
+971 (0) 4 609 3032

Disclaimer

PLEASE READ THE FOLLOWING TERMS AND CONDITIONS OF ACCESS FOR THE PUBLICATION BEFORE THE USE THEREOF. By continuing to access and use the publication, you signify you accept these terms and conditions. Emirates NBD reserves the right to amend, remove, or add to the publication and Disclaimer at any time. Such modifications shall be effective immediately. Accordingly, please continue to review this Disclaimer whenever accessing, or using the publication. Your access of, and use of the publication, after modifications to the Disclaimer will constitute your acceptance of the terms and conditions of use of the publication, as modified. If, at any time, you do not wish to accept the content of this Disclaimer, you may not access, or use the publication. Any terms and conditions proposed by you which are in addition to or which conflict with this Disclaimer are expressly rejected by Emirates NBD and shall be of no force or effect. Information contained herein is believed by Emirates NBD to be accurate and true but Emirates NBD expresses no representation or warranty of such accuracy and accepts no responsibility whatsoever for any loss or damage caused by any act or omission taken as a result of the information contained in the publication. The publication is provided for informational uses only and is not intended for trading purposes. Charts, graphs and related data/information provided herein are intended to serve for illustrative purposes. The data/information contained in the publication is not designed to initiate or conclude any transaction. In addition, the data/information contained in the publication is prepared as of a particular date and time and will not reflect subsequent changes in the market or changes in any other factors relevant to their determination. The publication may include data/information taken from stock exchanges and other sources from around the world and Emirates NBD does not guarantee the sequence, accuracy, completeness, or timeliness of information contained in the publication provided thereto by or obtained from unaffiliated third parties. Moreover, the provision of certain data/information in the publication may be subject to the terms and conditions of other agreements to which Emirates NBD is a party.

None of the content in the publication constitutes a solicitation, offer or recommendation by Emirates NBD to buy or sell any security, or represents the provision by Emirates NBD of investment advice or services regarding the profitability or suitability of any security or investment. Moreover, the content of the publication should not be considered legal, tax, accounting advice. The publication is not intended for use by, or distribution to, any person or entity in any jurisdiction or country where such use or distribution would be contrary to law or regulation. Accordingly, anything to the contrary herein set forth notwithstanding, Emirates NBD, its suppliers, agents, directors, officers, employees, representatives, successors, assigns, affiliates or subsidiaries shall not, directly or indirectly, be liable, in any way, to you or any other person for any: (a) inaccuracies or errors in or omissions from the publication including, but not limited to, quotes and financial data; (b) loss or damage arising from the use of the publication, including, but not limited to any investment decision occasioned thereby. (c) UNDER NO CIRCUMSTANCES, INCLUDING BUT NOT LIMITED TO NEGLIGENCE, SHALL EMIRATES NBD, ITS SUPPLIERS, AGENTS, DIRECTORS, OFFICERS, EMPLOYEES, REPRESENTATIVES, SUCCESSORS, ASSIGNS, AFFILIATES OR SUBSIDIARIES BE LIABLE TO YOU FOR DIRECT, INDIRECT, INCIDENTAL, CONSEQUENTIAL, SPECIAL, PUNITIVE, OR EXEMPLARY DAMAGES EVEN IF EMIRATES NBD HAS BEEN ADVISED SPECIFICALLY OF THE POSSIBILITY OF SUCH DAMAGES, ARISING FROM THE USE OF THE PUBLICATION, INCLUDING BUT NOT LIMITED TO, LOSS OF REVENUE, OPPORTUNITY, OR ANTICIPATED PROFITS OR LOST BUSINESS. The information contained in the publication does not purport to contain all matters relevant to any particular investment or financial instrument and all statements as to future matters are not guaranteed to be accurate. Anyone proposing to rely on or use the information contained in the publication should independently verify and check the accuracy, completeness, reliability and suitability of the information and should obtain independent and specific advice from appropriate professionals or experts regarding information contained in the publication. Further, references to any financial instrument or investment product is not intended to imply that an actual trading market exists for such instrument or product. In publishing this document Emirates NBD is not acting in the capacity of a fiduciary or financial advisor.

Emirates NBD and its group entities (together and separately, "Emirates NBD") does and may at any time solicit or provide commercial banking, investment banking, credit, advisory or other services to the companies covered in its reports. As a result, recipients of this report should be aware that any or all of the foregoing services may at times give rise to a conflict of interest that could affect the objectivity of this report.

The securities covered by this report may not be suitable for all types of investors. The report does not take into account the investment objectives, financial situations and specific needs of recipients.

Data included in the publication may rely on models that do not reflect or take into account all potentially significant factors such as market risk, liquidity risk and credit risk. Emirates NBD may use different models, make valuation adjustments, or use different methodologies when determining prices at which Emirates NBD is willing to trade financial instruments and/or when valuing its own inventory positions for its books and records. In receiving the publication, you acknowledge and agree that there are risks associated with investment activities. Moreover, you acknowledge in receiving the publication that the responsibility to obtain and carefully read and understand the content of documents relating to any investment activity described in the publication and to seek separate, independent financial advice if required to assess whether a particular investment activity described herein is suitable, lies exclusively with you. You acknowledge and agree that past investment performance is not indicative of the future performance results of any investment and that the information contained herein is not to be used as an indication for the future performance of any investment activity. You acknowledge that the publication has been developed, compiled, prepared, revised, selected, and arranged by Emirates NBD and others (including certain other information sources) through the application of methods and standards of judgment developed and applied through the expenditure of substantial time, effort, and money and constitutes valuable intellectual property of Emirates NBD and such others. All present and future rights in and to trade secrets, patents, copyrights, trademarks, service marks, know-how, and other proprietary rights of any type under the laws of any governmental authority, domestic or foreign, shall, as between you and Emirates NBD, at all times be and remain the sole and exclusive property of Emirates NBD and/or other lawful parties. Except as specifically permitted in writing, you acknowledge and agree that you may not copy or make any use of the content of the publication or any portion thereof. Except as specifically permitted in writing, you shall not use the intellectual property rights connected with the publication, or the names of any individual participant in, or contributor to, the content of the publication, or any variations or derivatives thereof, for any purpose.

YOU AGREE TO USE THE PUBLICATION SOLELY FOR YOUR OWN NONCOMMERCIAL USE AND BENEFIT, AND NOT FOR RESALE OR OTHER TRANSFER OR DISPOSITION TO, OR USE BY OR FOR THE BENEFIT OF, ANY OTHER PERSON OR ENTITY. YOU AGREE NOT TO USE, TRANSFER, DISTRIBUTE, OR DISPOSE OF ANY DATA/INFORMATION CONTAINED IN THE PUBLICATION IN ANY MANNER THAT COULD COMPETE WITH THE BUSINESS INTERESTS OF EMIRATES NBD. YOU MAY NOT COPY, REPRODUCE, PUBLISH, DISPLAY, MODIFY, OR CREATE DERIVATIVE WORKS FROM ANY DATA/INFORMATION CONTAINED IN THE PUBLICATION. YOU MAY NOT OFFER ANY PART OF THE PUBLICATION FOR SALE OR DISTRIBUTE IT OVER ANY MEDIUM WITHOUT THE PRIOR WRITTEN CONSENT OF EMIRATES NBD. THE DATA/INFORMATION CONTAINED IN THE PUBLICATION MAY NOT BE USED TO CONSTRUCT A DATABASE OF ANY KIND. YOU MAY NOT USE THE DATA/INFORMATION IN THE PUBLICATION IN ANY WAY TO IMPROVE THE QUALITY OF ANY DATA SOLD OR CONTRIBUTED TO BY YOU TO ANY THIRD PARTY. FURTHERMORE, YOU MAY NOT USE ANY OF THE TRADEMARKS, TRADE NAMES, SERVICE MARKS, COPYRIGHTS, OR LOGOS OF EMIRATES NBD OR ITS SUBSIDIARIES IN ANY MANNER WHICH CREATES THE IMPRESSION THAT SUCH ITEMS BELONG TO OR ARE ASSOCIATED WITH YOU OR, EXCEPT AS OTHERWISE PROVIDED WITH EMIRATES NBD'S PRIOR WRITTEN CONSENT, AND YOU ACKNOWLEDGE THAT YOU HAVE NO OWNERSHIP RIGHTS IN AND TO ANY OF SUCH ITEMS. MOREOVER YOU AGREE THAT YOUR USE OF THE PUBLICATION IS AT YOUR SOLE RISK AND ACKNOWLEDGE THAT THE PUBLICATION AND ANYTHING CONTAINED HEREIN, IS PROVIDED "AS IS" AND "AS AVAILABLE," AND THAT EMIRATES NBD MAKES NO WARRANTY OF ANY KIND, EXPRESS OR IMPLIED, AS TO THE PUBLICATION, INCLUDING, BUT NOT LIMITED TO, MERCHANTABILITY, NON-INFRINGEMENT, TITLE, OR FITNESS FOR A PARTICULAR PURPOSE OR USE. You agree, at your own expense, to indemnify, defend and hold harmless Emirates NBD, its Suppliers, agents, directors, officers, employees, representatives, successors, and assigns from and against any and all claims, damages, liabilities, costs, and expenses, including reasonable attorneys' and experts' fees, arising out of or in connection with the publication, including, but not limited to: (i) your use of the data contained in the publication or someone using such data on your behalf; (ii) any deletions, additions, insertions or alterations to, or any unauthorized use of, the data contained in the publication or (iii) any misrepresentation or breach of an acknowledgement or agreement made as a result of your receiving the publication.