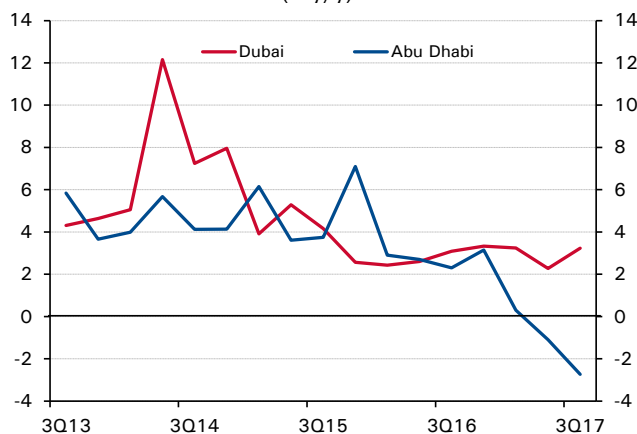


UAE: Dubai Expo 2020-related infrastructure spending and tourism sector supporting non-oil economy

- Buoyant activity in the construction sector in preparation for Expo 2020 and a thriving tourism sector helped by a weaker US dollar is supporting the Dubai economy.
- The economy should gain some traction in 2018, thanks to rising oil prices and a recovery in global growth.
- Oil prices are hovering around 3-year highs, but crude output is constrained by the OPEC production cut agreement.
- Inflation leapt in January to 4.8% following the introduction of the 5% VAT; it has since moderated slightly.
- Higher oil prices should help ease the pace of fiscal consolidation and, in turn, support the economy.
- Credit growth has been weighed down by rate hikes and tighter lending rules, but is set to improve in 2018.

Dubai & Abu Dhabi real GDP

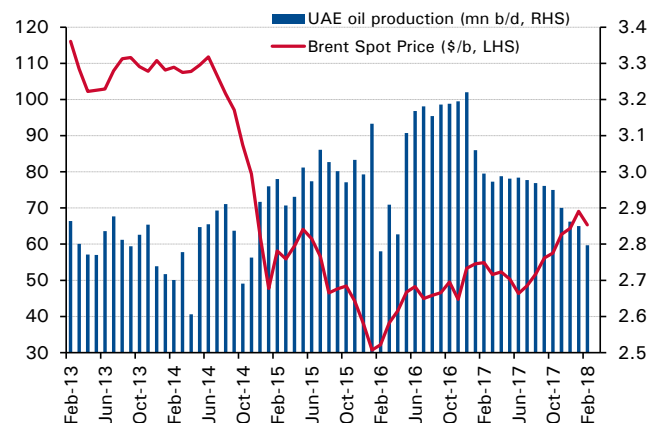
(% y/y)



Real GDP in Abu Dhabi fell again in 3Q17 on weaker oil output; Dubai's held firm thanks to Expo 2020 infrastructure spending.

Source: Dubai Statistics Center, Statistics Centre - Abu Dhabi

Crude oil prices and production

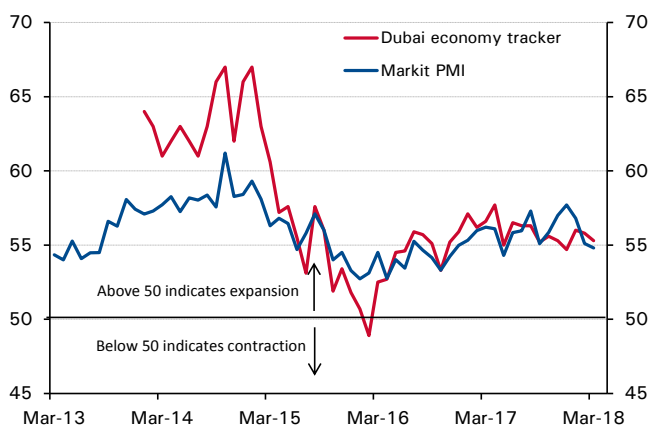


UAE oil output has edged lower this year as the emirates raises its compliance level with the OPEC production cut agreement.

Source: Thomson Reuters Datastream, OPEC (based on direct communication)

Non-oil sector activity surveys

(index)

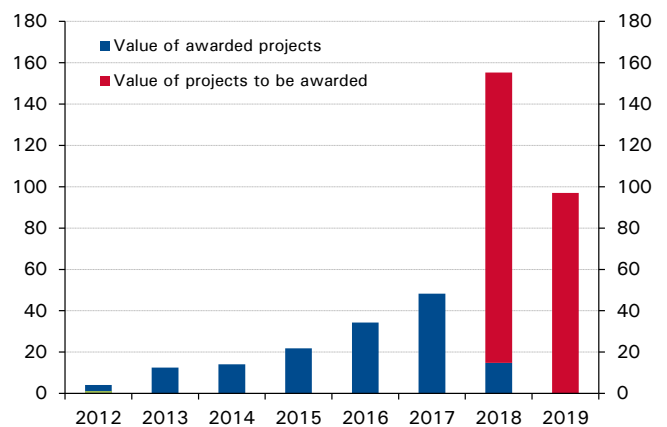


Both the Markit PMI and the Dubai economy tracker point to broadly steady but modest levels of non-oil sector activity.

Source: Markit/Emirates NBD

Value of projects

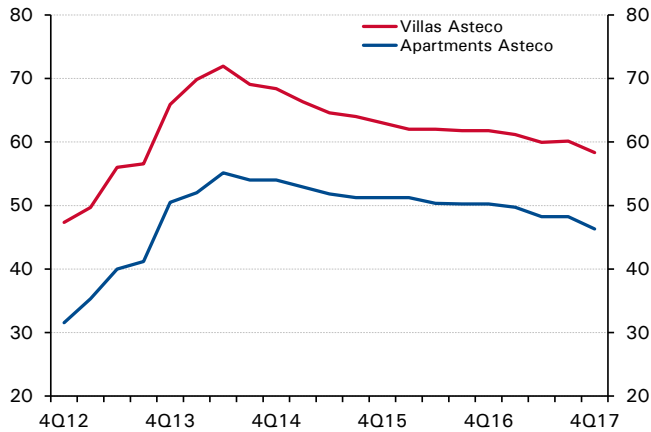
(\$ billion)



The project pipeline looks promising, with \$238bn worth of projects expected to be awarded by the end of 2019.

Source: MEED projects *Value of projects to be awarded by sector

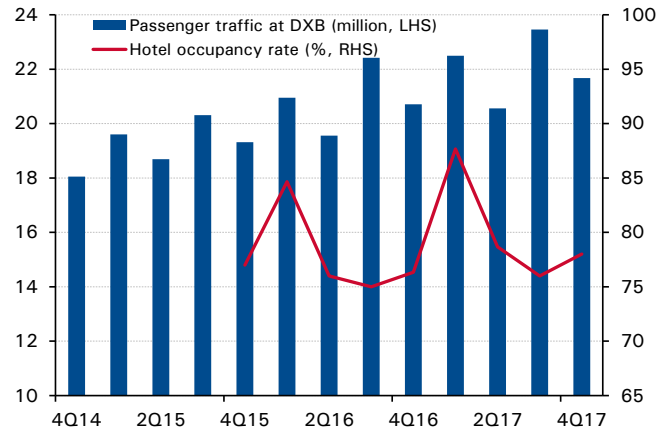
Residential property sales prices in Dubai (index)



A surplus of housing supply continues to weigh down on Dubai's residential property prices.

Source: Asteco

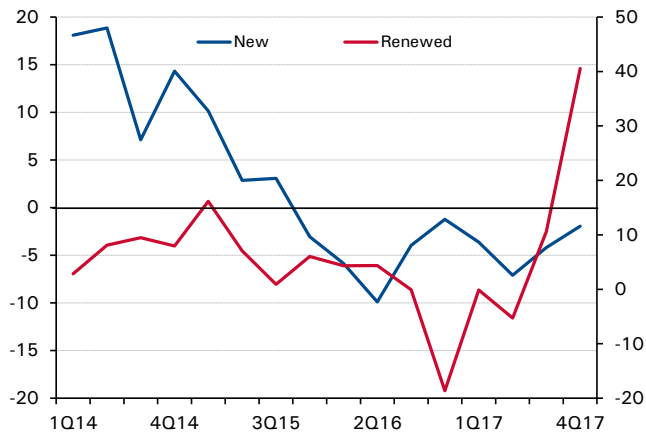
Dubai tourism



Passenger traffic at DXB was at a record high in 3Q17; Dubai's hotel occupancy rates are the highest in the MENA region.

Source: Dubai airports, Dubai Statistics Center

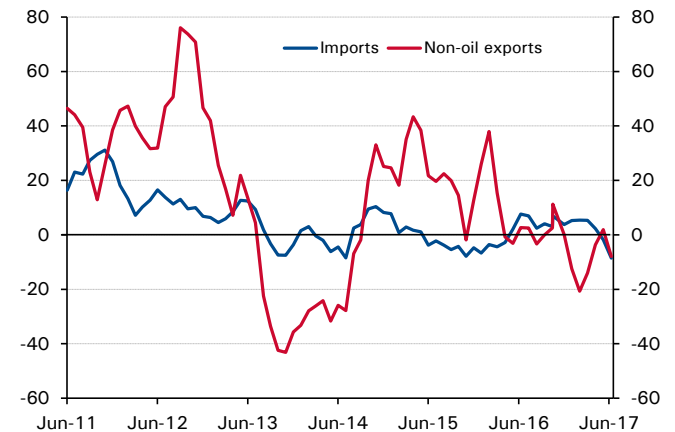
Business licenses issued in Dubai (% y/y)



The number of business licenses issued appears to be recovering after a weak and volatile period.

Source: Department of Economic Development in Dubai

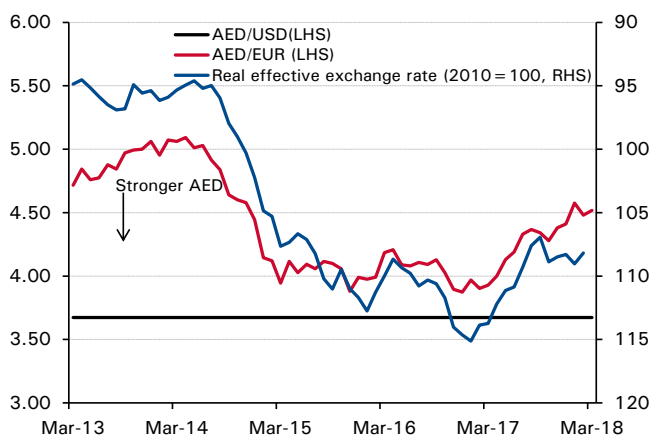
Foreign trade (% y/y, 3-month moving average)



Imports fell towards the end of 1H17 on the back of a weaker dirham; non-oil exports also fell amid intense competition.

Source: Federal Competitiveness and Statistics Authority

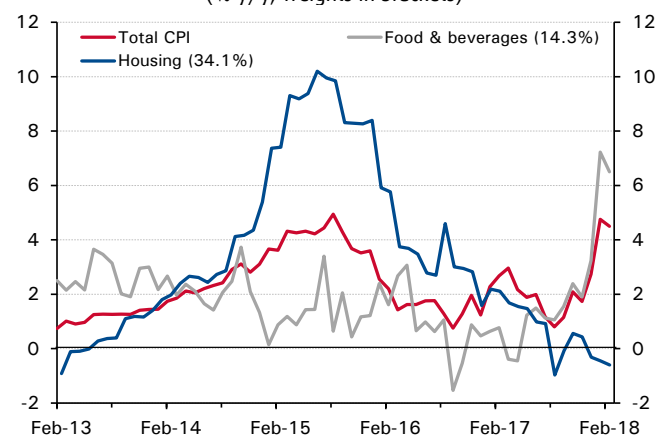
Exchange rate



The weaker real effective exchange rate should help support export demand.

Source: Thomson Reuters Datastream

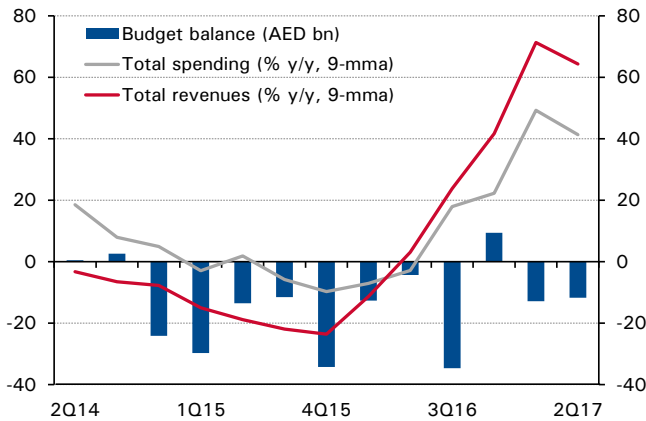
Consumer price inflation by sector (% y/y, weights in brackets)



Inflation leapt in January after the introduction of a 5% VAT, before moderating slightly in February.

Source: Thomson Reuters Datastream

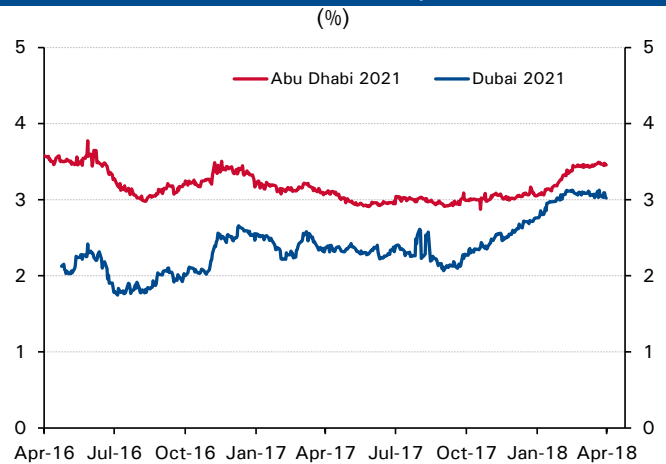
Budget balance



Both revenues and public expenditures grew strongly last year, reflecting the recovery in oil prices.

Source: UAE Ministry of Finance

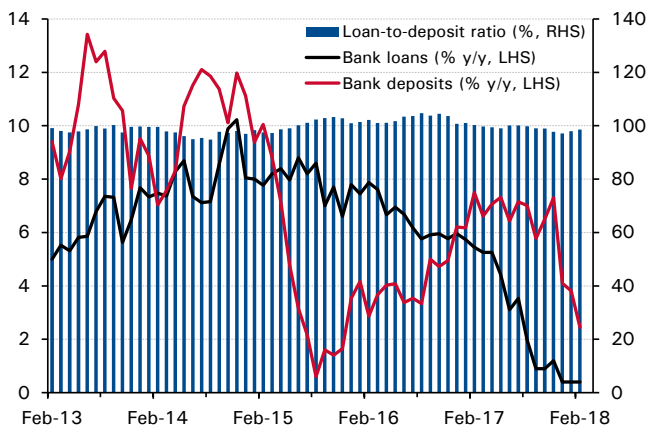
Government bond yields



Dubai and Abu Dhabi 2021 government bond yields rose following the hike in policy rates.

Source: Thomson Reuters Datastream

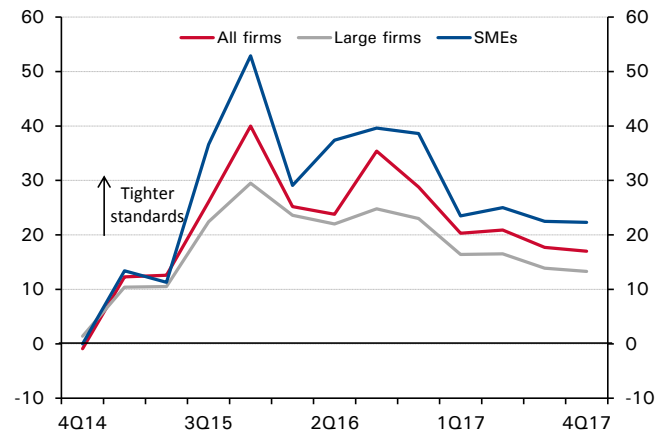
Bank loan and deposit growth



Rate hikes and tighter lending rules have affected credit growth; deposit growth decelerated on weaker private growth.

Source: Central Bank of the UAE

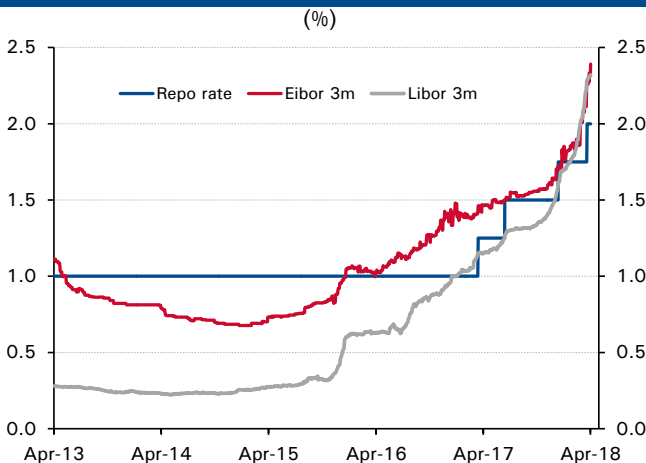
Change in credit standards of banks* (net balance %)



But credit standards appear to be easing slightly, which should help prop up lending activity in the near-to-medium term.

Source: Central Bank of the UAE (Credit Sentiment Survey) *Compared to previous quarter

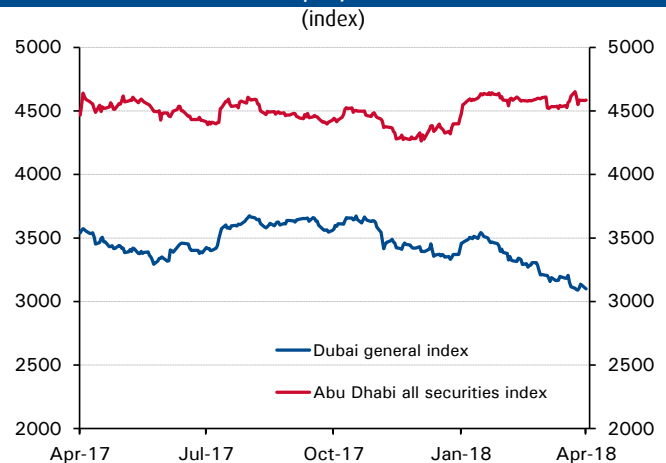
Interest rates



Interbank rates continued to trend upwards following another 25 bps policy rate hike in March.

Source: Thomson Reuters Datastream

UAE equity markets



Abu Dhabi's ADI is the second best performing index in the GCC this year with +6.7%, but Dubai's DFMGI is down 8.5% ytd.

Source: Thomson Reuters Datastream