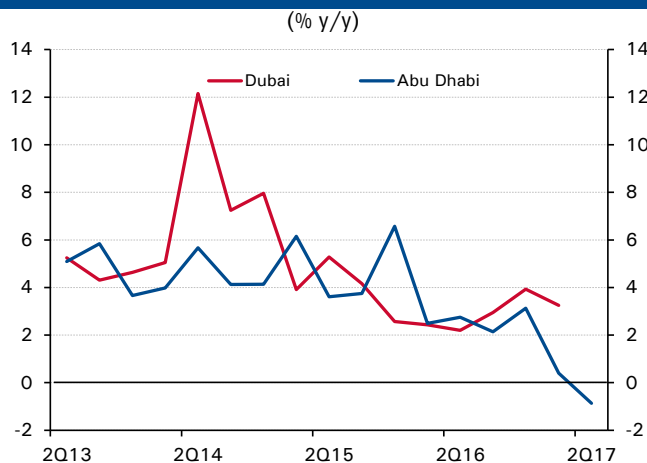


# UAE: Non-oil economy set for solid growth in 2018 helped by construction and tourism sectors

- The economy looks well-positioned going into 2018, benefitting from rising oil prices and solid global growth.
- Oil prices have reached 3-year highs, though output in 2018 will be capped by OPEC production cuts.
- The tourism and construction sectors are performing well. The former will be helped by the slide in the US dollar last year, and the latter by strong project awards ahead of Expo 2020.
- Inflation is below 2%, but will rise sharply in 2018 on the introduction of the 5% VAT from January.
- Higher oil prices should help with fiscal consolidation efforts and further support the economy.
- Credit growth has been weighed down by rate hikes and stricter lending rules, while the Dubai stock market fell 5% in 2017, slightly underperforming the rest of the region.

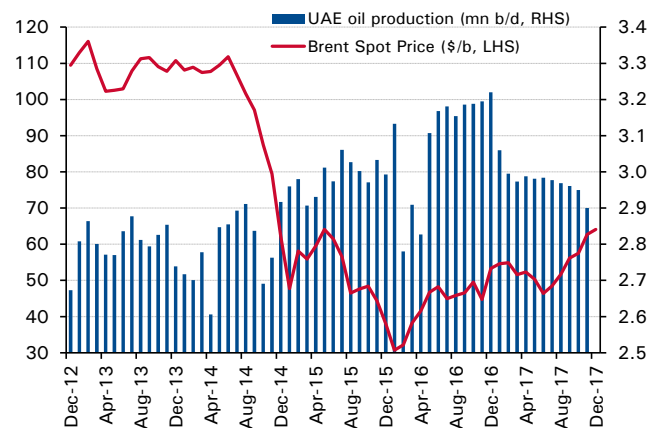
Dubai & Abu Dhabi real GDP



Real GDP in Abu Dhabi fell in 2Q17, mainly due to a drop in oil output. Dubai remains supported by Expo 2020 preparations.

Source: Dubai Statistics Center, Statistics Centre – Abu Dhabi

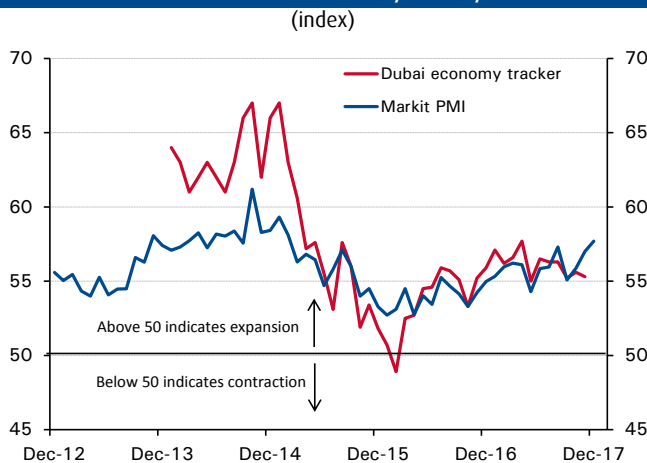
Crude oil prices and production



Oil prices rose 21% in 2017. UAE oil output could edge lower in 2018 to more strictly comply with OPEC production cuts.

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

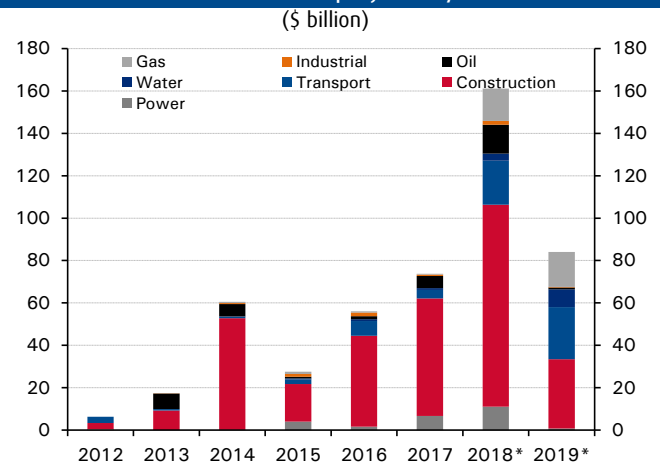
Non-oil sector activity surveys



Both the Markit PMI and Dubai economy tracker paint a broadly steady, upbeat picture of non-oil activity over the past year.

Source: Markit/Emirates NBD

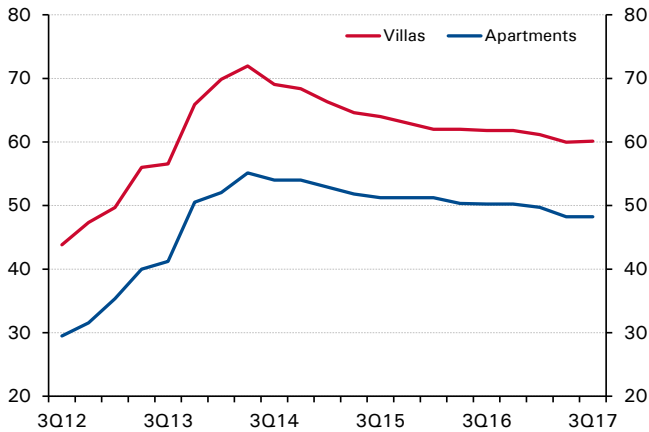
Value of awarded projects by sector



The project pipeline looks very solid; \$128bn worth of construction projects are set to be awarded in 2018/19.

Source: Meed projects \*Value of projects to be awarded by sector

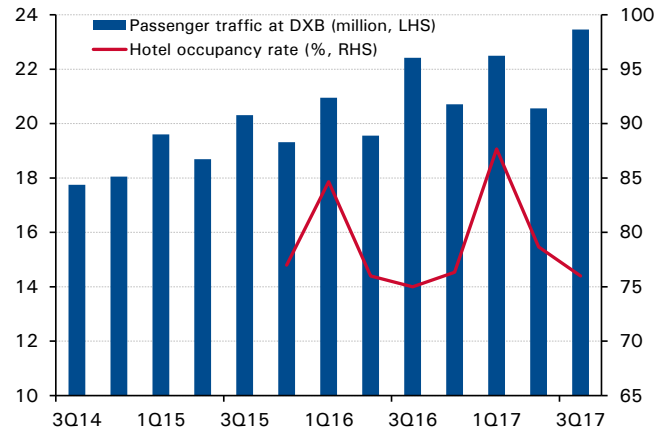
### Residential property sales prices in Dubai (index)



Downward pressures on Dubai's residential sales prices to persist in the medium term on rising levels of housing supply.

Source: Asteco

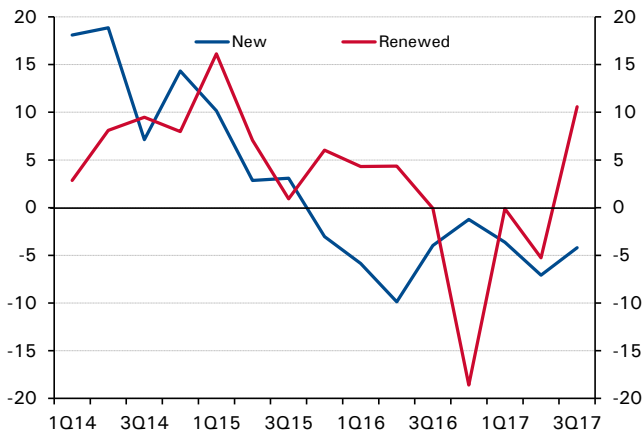
### Dubai tourism



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

Source: Dubai airports, Dubai Statistics Center

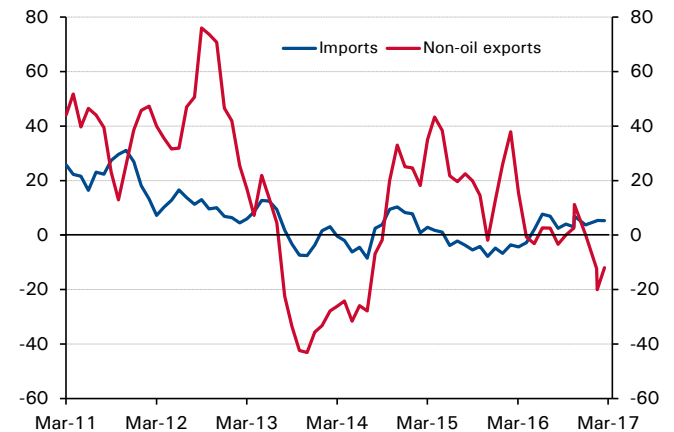
### Business licenses issued in Dubai (% y/y)



The number of business licenses issued may be starting to recover after a weak (though volatile) period.

Source: Department of Economic Development in Dubai

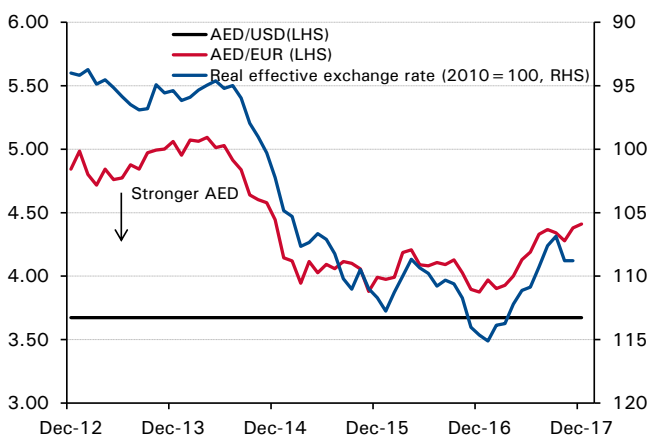
### Foreign trade (% y/y, 3-month moving average)



Import growth recovered in 2016/17 reflecting solid activity levels in the non-oil economy.

Source: Federal Competitiveness and Statistics Authority

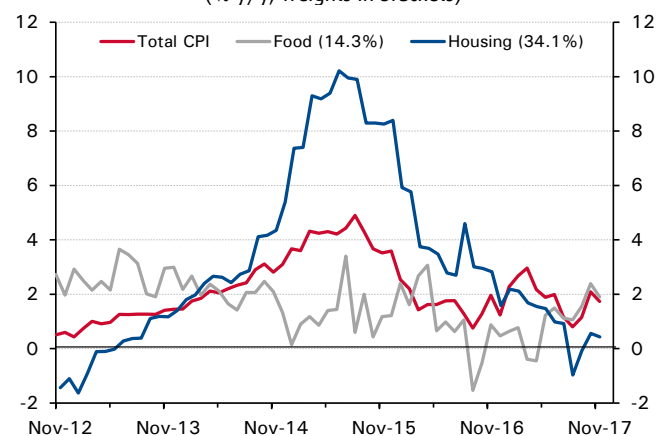
### Exchange rate



The slightly weaker real effective exchange rate should help prop up export demand.

Source: Thomson Reuters Datastream

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

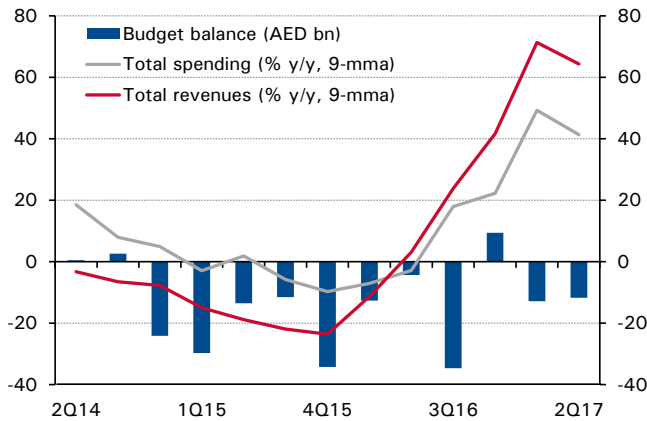


Inflation remains low, but will rise significantly in 2018 on the back of the introduction of a 5% VAT from January.

Source: Thomson Reuters Datastream

### Budget balance

(%)

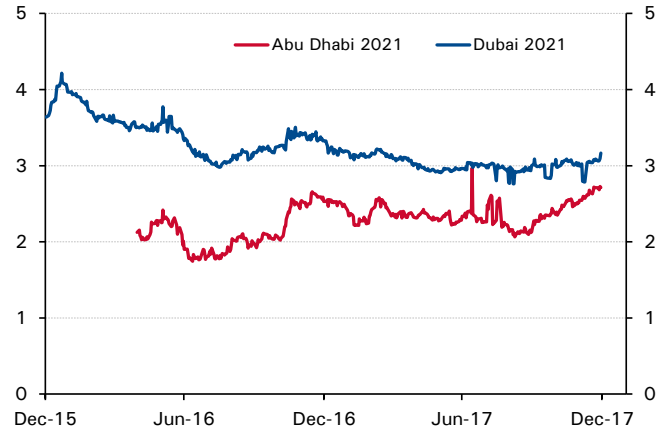


Latest data point to strong growth in public revenues and spending, in tandem with a recovery in oil prices.

Source: UAE Ministry of Finance

### Government bond yields

(%)

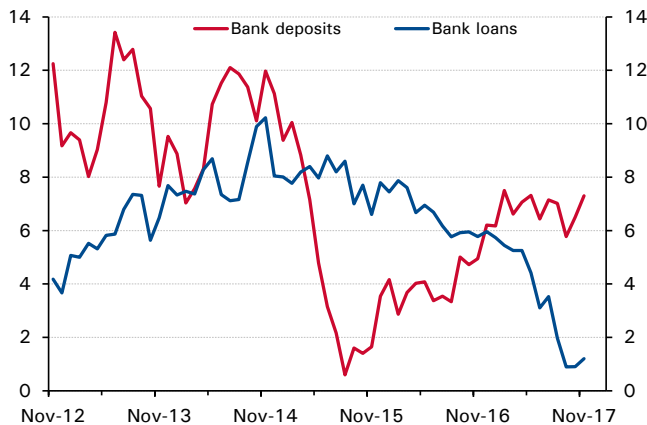


Higher policy rates have pushed up 2021 government bond yields in both Dubai and Abu Dhabi recently.

Source: Asteco

### Bank loan and deposit growth

(% y/y)

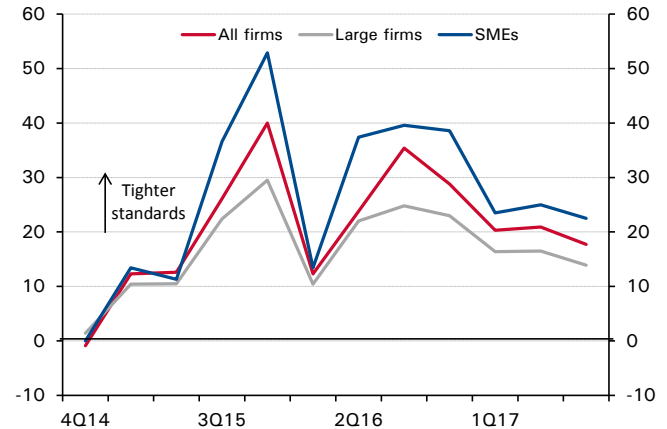


Rate hikes and tighter lending rules have pulled credit growth lower. Deposit growth is faring better on rising oil receipts.

Source: Central Bank of the UAE

### Change in credit standards of banks\*

(net balance %)

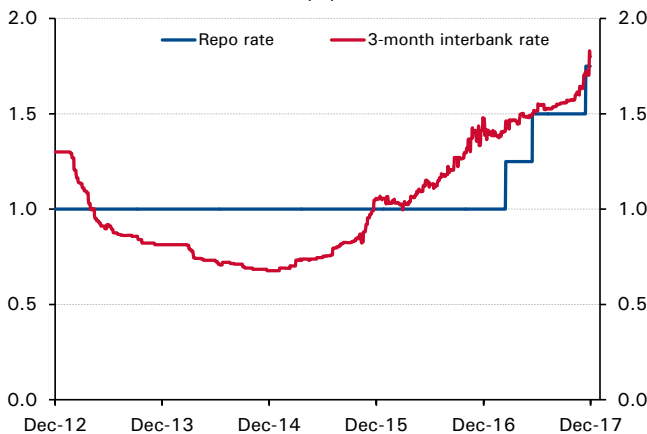


Credit standards are tightening more moderately. This should help lending activity in the near-to-medium term.

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

### Interest rates

(%)

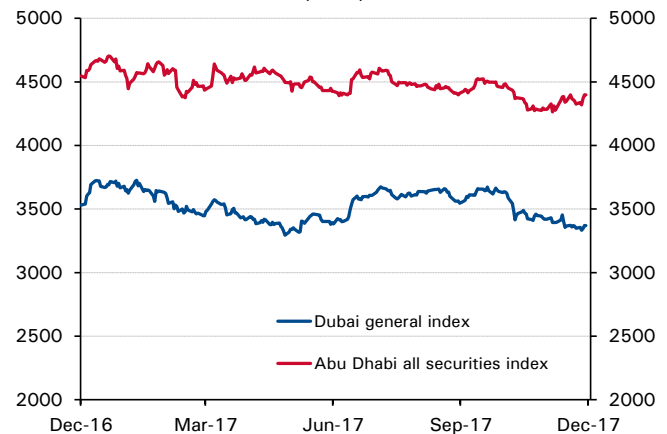


Interbank rates continued to trend upwards in 2017 following three 25 bps hikes in the policy rate.

Source: Thomson Reuters Datastream

### UAE equity markets

(index)



The main UAE stock indices edged lower in 2017, beating some Gulf markets but slightly underperforming the region overall.

Source: Thomson Reuters Datastream