



دائرة التنمية الاقتصادية
DEPARTMENT OF ECONOMIC DEVELOPMENT

INITIAL RELEASE



ABU DHABI

2023

ECONOMIC
UPDATE



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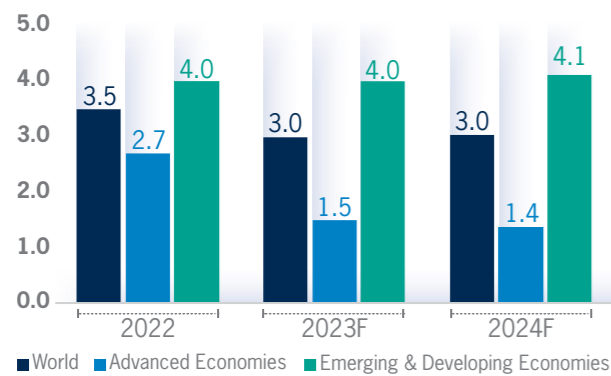
GLOBAL UPDATE

Global Growth:

In Q2 2023, the global economy has shown signals of improvement amid improving business and consumer sentiment, lower energy prices and headline inflation, coupled with the reopening of China's economy. However, rising interest rates, tighter monetary & financial conditions, in addition to continuing geopolitical tensions will affect the growth in many parts of the world.

Global growth estimates were raised from previous WEO (April 2023) for 2023 with growth now at 3.0%, while for 2024, the estimates remained the same at 3.0%.

GDP Growth Rates (%) By Region, 2022-2024



Source: IMF WEO (July 2023)

World Trade:

Following a notable rebound of trade in goods & services in Q1 2023, the (UNCTAD) estimated a weaker performance for global trade in Q2 2023 compared with Q1 2023, with an unfavorable outlook for the rest of the year, as negative factors tend to outperform the positive ones. The trade in services is estimated to outperform trade in goods in Q2 2023, as it is estimated to



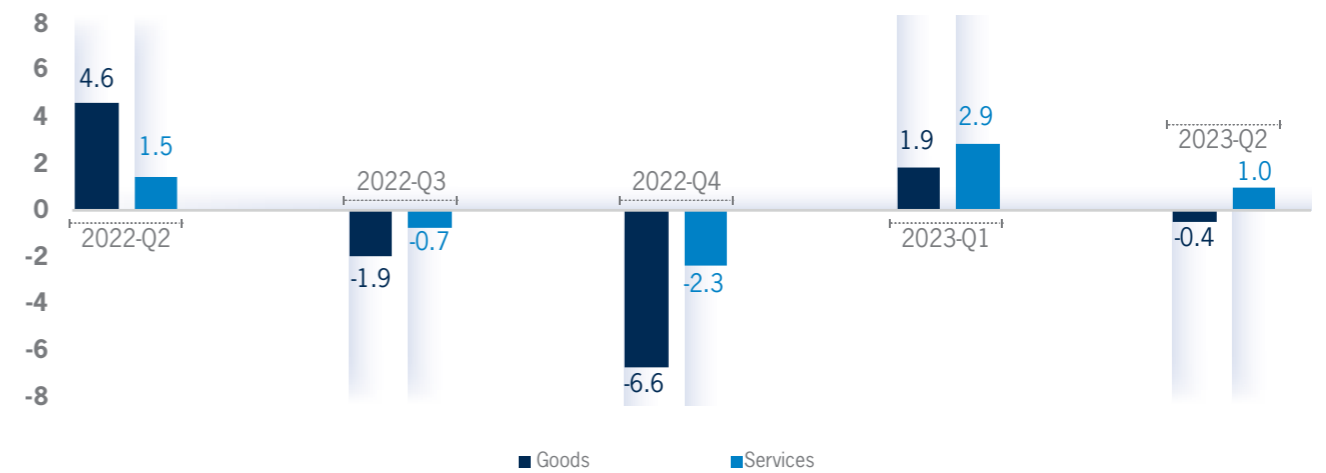
• In July 2023, the IMF World Economic Outlook (WEO) projected global growth to fall from an estimated 3.5% in 2022 to 3% in 2023 and 2.9% in 2024, driven by continued high inflation rates and tighter monetary & financial conditions. Advanced economies continue to drive global growth slowdown in 2023 due to weaker manufacturing, while emerging & developing economic growth outlook looks stable for both 2023 & 2024 at 4% in both years.

• According to the World Trade Organization (WTO), in 2023 global trade volume is projected to grow by 1.7% (still below average global trade growth of 2.6% during 2010-2022) before reaching 3.2% in 2024. Continuing geopolitical tensions, food insecurity and tightening monetary policies are posing downside risks.



have grown by 1.0% in Q2 2023 Q/Q, which may be attributed to the strong demand for transportation and the continuing rebound in travel and tourism related activities following the pandemic. On the other hand, trade in goods was estimated to have declined by 0.4% in Q2 2023 Q/Q. In May 2023, China exports were below expectations reflecting the weaker global demand for goods.

Estimated Growth In Goods & Services Trade (% q/q), 2022.Q2-2023.Q2



Source: Unctad Estimates, Data Are q/q Change Of Seasonally Adjusted Values

Major Economies Growth:

Driven by the increase in consumer spending and business investment, in addition to the strong labor market, US GDP increased unexpectedly by 2.5% in Q2 2023, y/y. China's GDP rose by 6.3% during

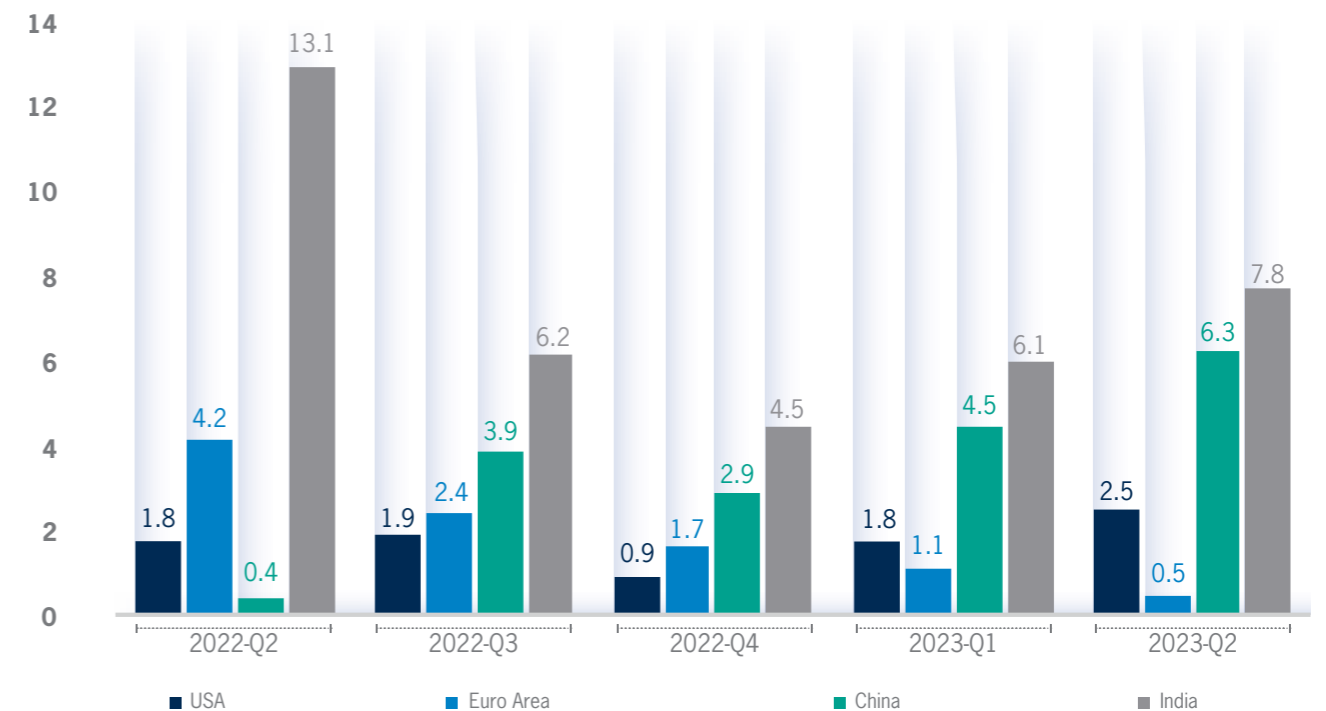
the same period, led by recoveries in retail sales and the service sector after the lifting of COVID-19 restrictions. India is the best-performing major economy and had growth of 7.8% in Q2 2023, y/y.

Euro Area Growth:

The Euro Area economy decelerated to 0.5% growth in Q2 2023 y/y, driven by high inflation and ongoing geopolitical uncertainties.

Germany, the Eurozone's largest economy, continued to stagnate, as the GDP contracted by 0.1% y/y, affected by weak purchasing power and technical recession.

GDP Growth Rates (% y/y) Of Major Economies, 2022.Q2-2023.Q2

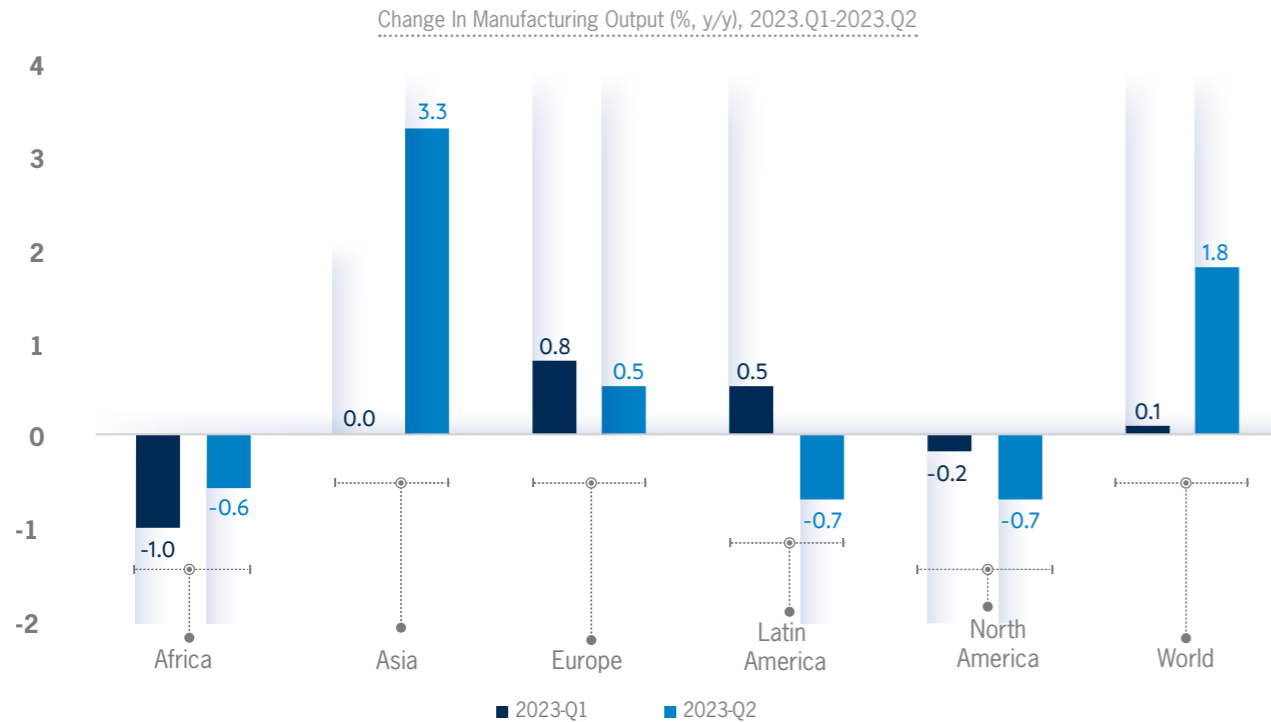


Source: National statistical (Data are y/y growth rates, %)

Global Manufacturing:

Regardless of ongoing global challenges including slowing global demand, energy shocks, higher inflation rates, along with natural disasters around the world, global manufacturing output registered a growth rate of 1.8% in Q2 2023 y/y, driven by the increasing in motor vehicles industry

which recorded the highest growth rate, at 17.1% y/y. However, most of major regions stagnated in Q2 2023, except for Asia which posted the highest growth rate, at 3.3%. Europe's manufacturing sector witnessed a slowdown in the same period but remained within positive rates.



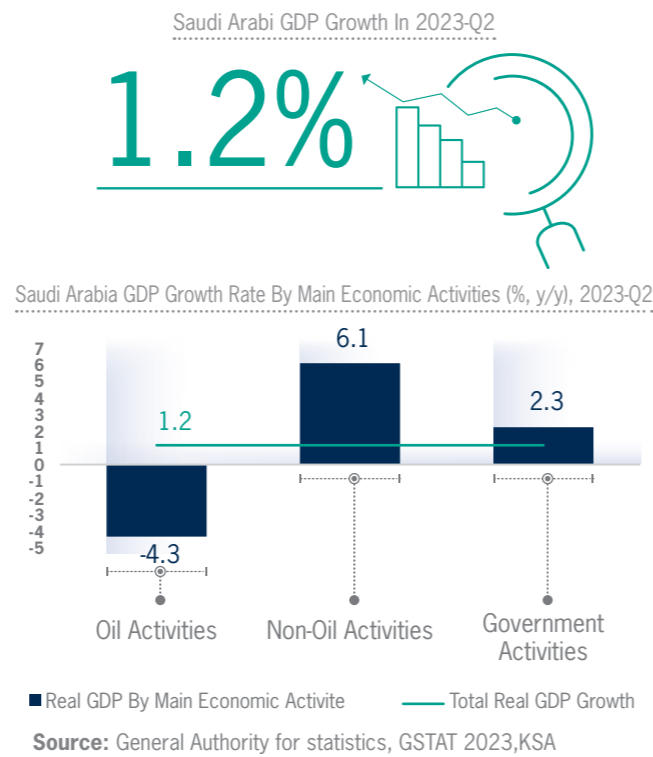
Source: UNIDO, World Manufacturing Production

REGIONAL UPDATE

GCC Growth

Following OPEC+ production cut announcements in April and June 2023, economic growth forecast for the GCC has been revised down. Compared with an outstanding performance in 2022 (7.8%), the revised recent updates is predicting that the GCC GDP growth would slow down to 1.5% in 2023 before rebounding to 3.7% in 2024.

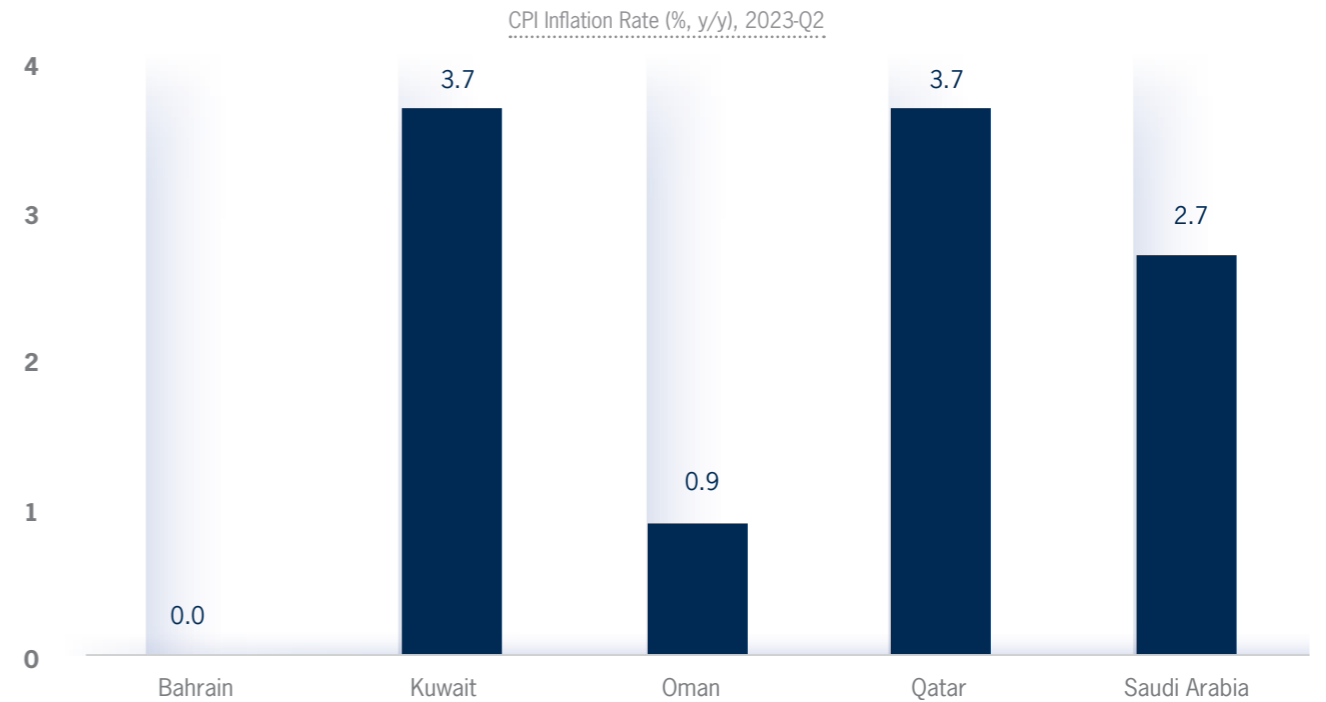
Saudi Arabia's real GDP increased by 1.2% in the second quarter of 2023, driven by non-oil activities (6.1%) and government activities (2.3%).



GCC Inflation:

Inflation in the GCC is easing, with Bahrain and Oman experiencing the lowest rates (0.0% and 0.9%, respectively), while in Qatar inflation has decreased from its highest rate

in Q1 to 3.7% in Q2. GCC central banks are anticipated to maintain high interest rates for the rest of the year in line with rates in the United States as the region's currencies are pegged (mostly) to the USD.



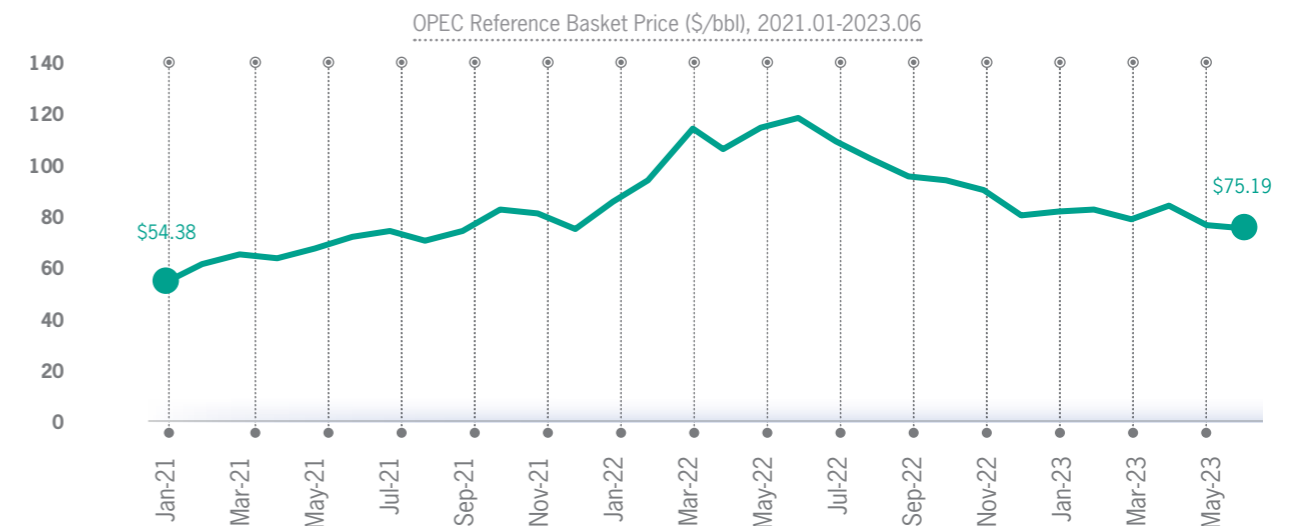
Source: National statistical offices

OIL MARKET UPDATE

Oil Price:

In June 2023, the OPEC Reference Basket value fell to its lowest value since January 2022, recording a decline of 0.8% (\$0.63/

barrel) compared with the previous month. This was impacted by rising interest rates along with uncertainty about the strength of demand outlook growth.

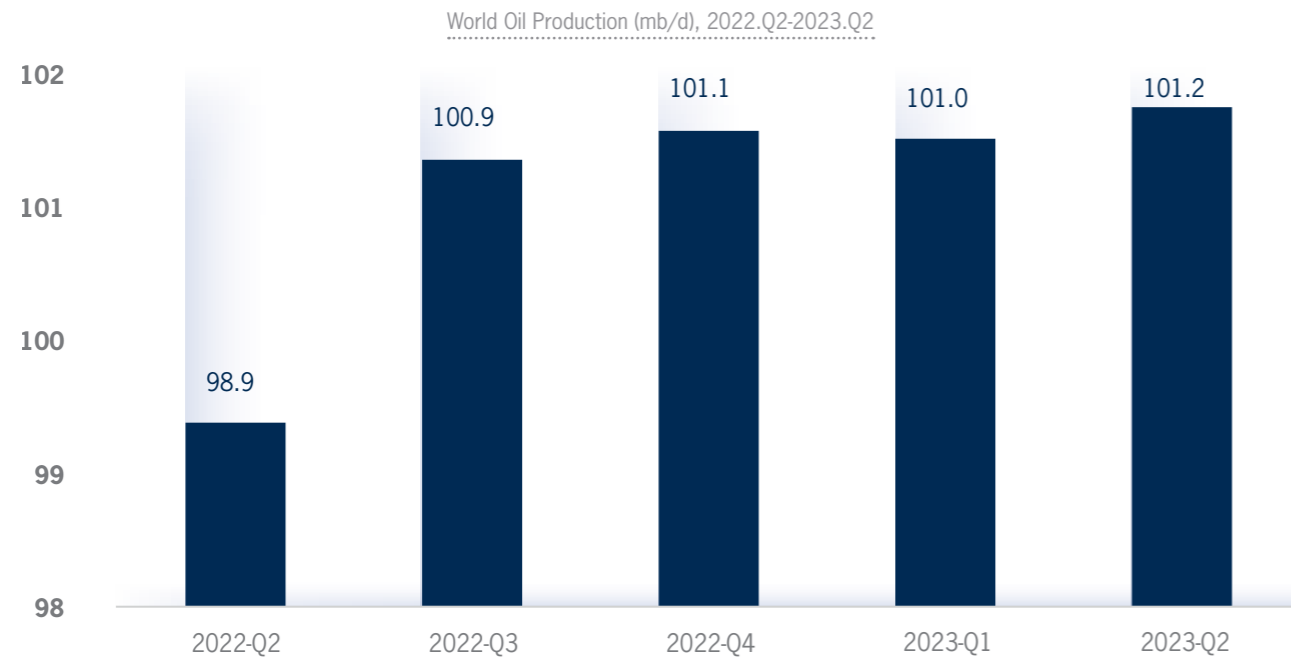


Source: OPEC offices (Monthly Oil Market Report)

World Oil Production:

As OPEC+ agreed, at the beginning of April 2023, to deep production cuts of 1.2 mb/d through the end of the year, OPEC lowered its

production by 570 kb/d in Q2 2023 compared with the previous quarter, led by Iraq (237 kb/d), Saudi Arabia (206 kb/d), Nigeria (119 kb/d), and the UAE (104 kb/d).

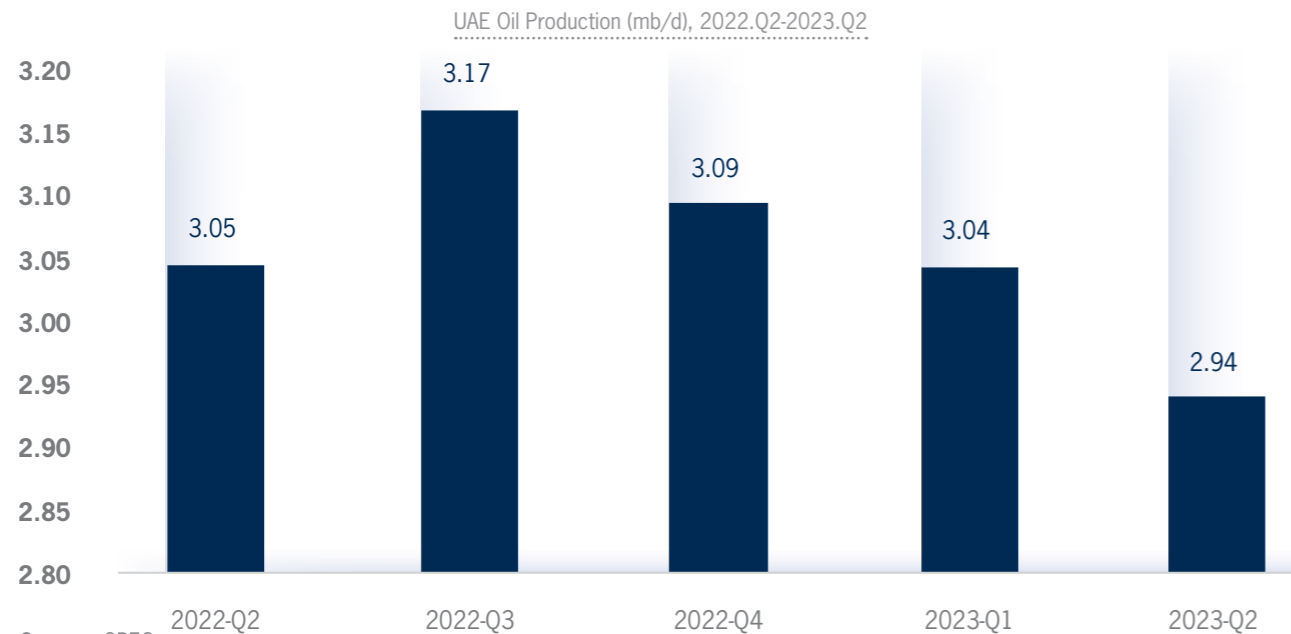


Source: EIA

UAE Oil Production:

Crude oil production witnessed a decline of 3.4% in Q2 2023 on both y/y and q/q basis in line with the OPEC+ announcement to cut oil production. Nevertheless, by 2024 the new required production for the UAE will be 3.22 mb/d.

The vast majority (>95%) of oil production in the UAE is from within Abu Dhabi. Oil capacity in the UAE is approximately 4.5 mb/d and is expected to reach 5.0 mb/d by 2027. With a utilization rate of about 67%, there is considerable unused capacity.

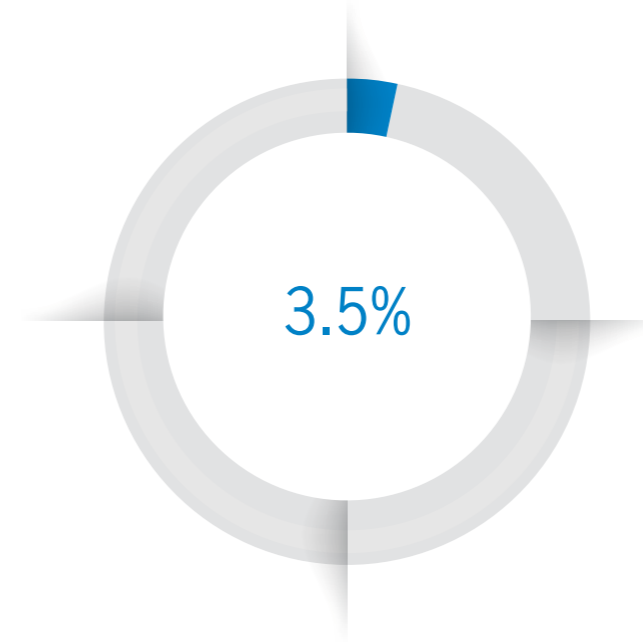


Source: OPEC

ABU DHABI UPDATE



Abu Dhabi Growth In Q2- 2023



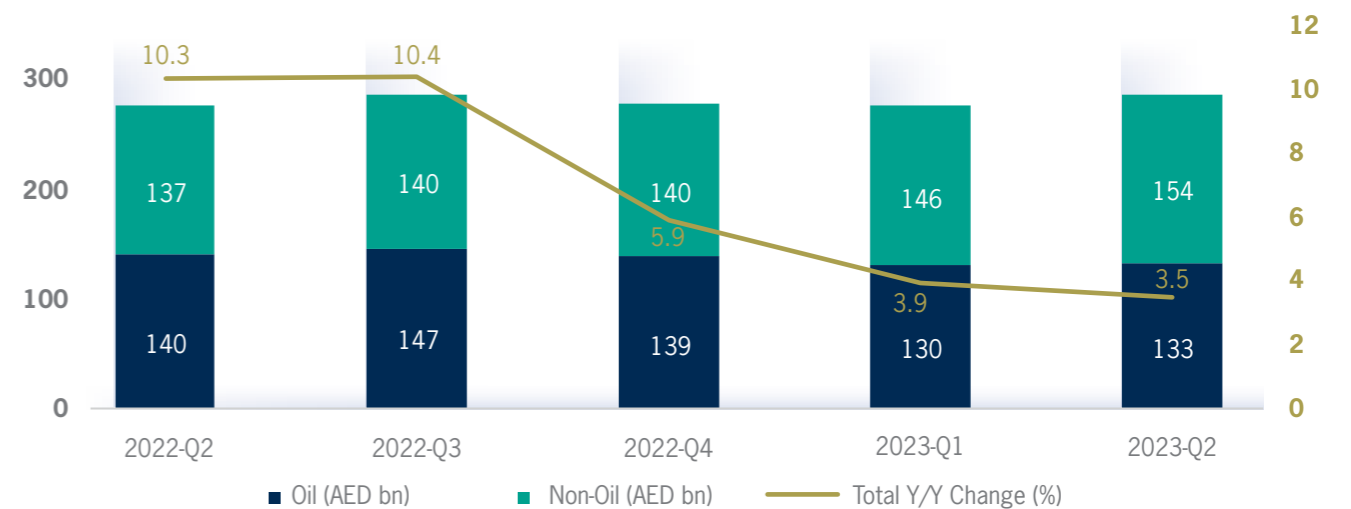
Gross Domestic Product (GDP):

Despite the decline in oil activities due to production cuts, Abu Dhabi's economy was able to achieve a growth of 3.5% y/y in Q2 2023, reaching its highest level at almost AED287 billion, driven by the strong performance of non-oil economic activities.

- In Q2 2023, Abu Dhabi's economy grew 3.5% y/y. Growth favored the non-oil sector which reached its highest quarterly value since 2014 (154 billion dirhams), recording a growth of 12.3% y/y. However, oil GDP contracted by 5.2% due to production cuts.
- New licenses in Abu Dhabi decreased by 8.0% in Q2 2023 compared to the previous quarter. However, license cancellations in Abu Dhabi decreased by 11.1% in Q2 2023 compared with Q1 of the same year.
- In Q2 2023, the number of guests in Abu Dhabi hotels increased by 32.4% compared with the same period a year ago. Yet, the average length of stay (nights) for guests is 2.6 in Q2 2023, down from 3.0 in Q2 2022.
- Abu Dhabi's overall non-oil foreign trade increased by 14.1% (y/y) in Q2 2023, reaching AED71.23bn. The (y/y) growth was powered by imports (33.8%) and re-exports (2.8%). Exports shrank by 1.2%. Saudi Arabia was the largest export partner of Abu Dhabi (AED5.52bn), while USA was the largest import partner (AED4.18bn).



Real GDP By Sector And Overall Growth Rate, 2022.Q2-2023.Q2



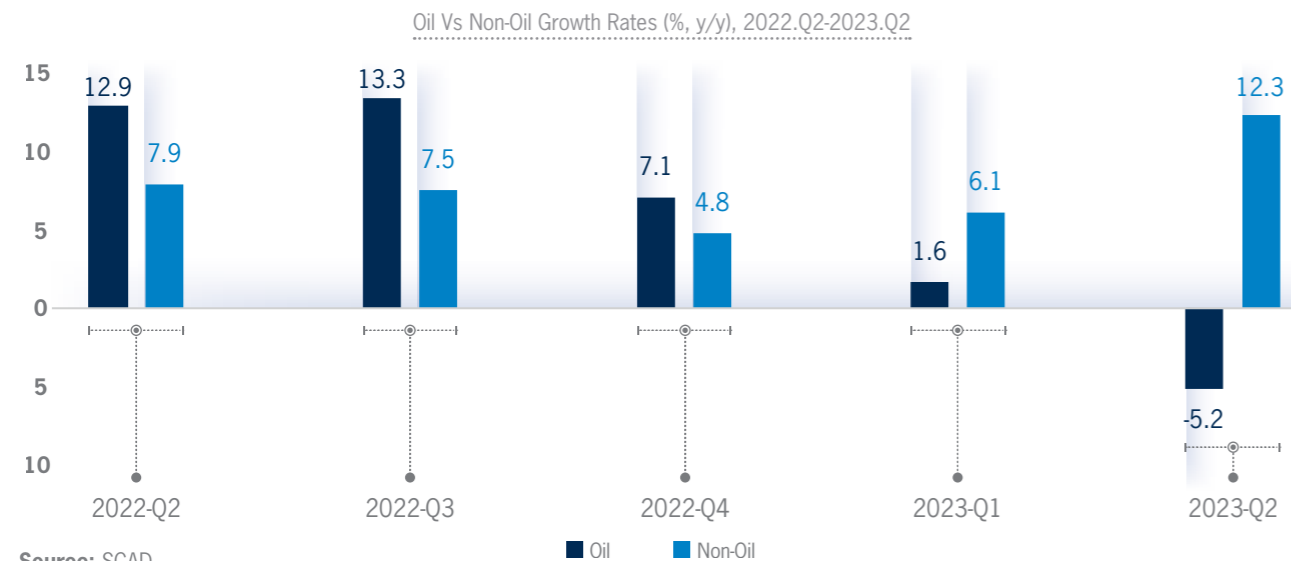
Source: SCAD

Oil vs Non-Oil:

In Q2 2023, oil activity in Abu Dhabi grew by 1.9% q/q but contracted by 5.2% y/y due to OPEC+ agreement to reduce oil production in April & June 2023. On the other hand, non-oil activities reached its highest quarterly value since 2014, reaching 154 billion dirhams, recording a growth of 12.3% y/y. This strong performance was driven by the remarkable growth of all non-oil activities, led by financial and insurance (29.7%), construction (19.1%), and transportation and storage (16.9%). It's worth mentioning that manufacturing activity recorded its highest quarterly value added since 2014 and returned to positive growth rate (at 7.0% y/y) after declining for two consecutive quarters, which may

be attributed to the emirate's successful economic strategies, including the Abu Dhabi Industrial Strategy which launched in June 2022, to enhance the manufacturing sector and strengthen the emirate's position as the region's most competitive industrial hub.

Accordingly, the contribution of non-oil activities to the overall GDP has reached its highest level in more than eight years at 53.7%, indicating the emirate's competitiveness and resilience. Moreover, the construction activities maintained its leading position as the largest non-oil activity in Abu Dhabi for the third quarter in row raising its contribution at 16.4% of non-oil GDP followed by manufacturing at 16.2% in Q2 2023.



Source: SCAD

Non-Oil Foreign Goods Trade:

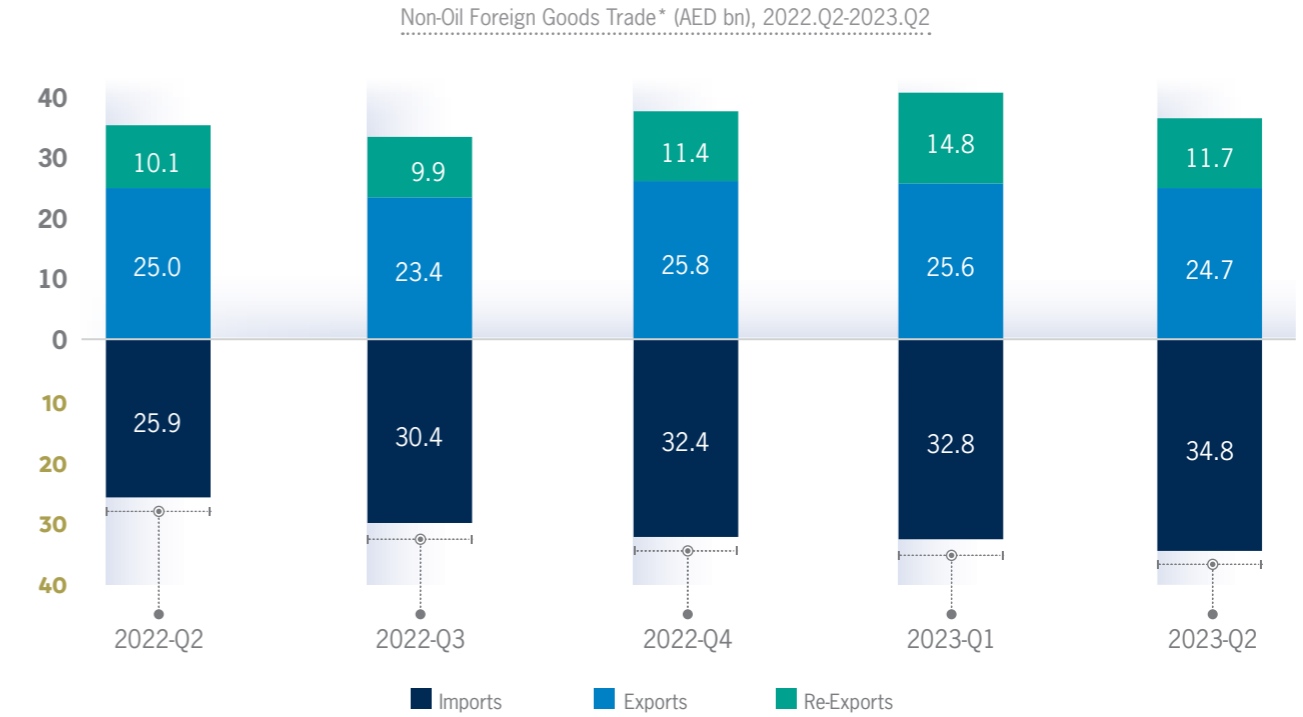
Total trade in Q2 2023 was up 14.1% compared with the same period a year ago but was down by 2.6% compared with the previous period.

The (y/y) growth was powered by imports (33.8%) and re-exports (2.8%). Exports shrink by 1.2%.

Also, on a q/q basis, the largest gain was on imports (6.3%), while exports and re-exports contracted by 3.3% and 21.1% respectively.

The top-5 trade partners of Abu Dhabi in Q2 2023 (1 through 5):

- Total: Saudi Arabia, USA, China, Japan, and Kuwait.
- Imports: USA, Saudi Arabia, China, Japan, and Congo.
- Exports: Saudi Arabia, USA, India, Netherlands, and Switzerland.
- Re-exports: Saudi Arabia, Qatar, Kuwait, Bahrain, UAE.



Source: SCAD. *Trade passing through ports of Abu Dhabi

COMMERCIAL LICENCES

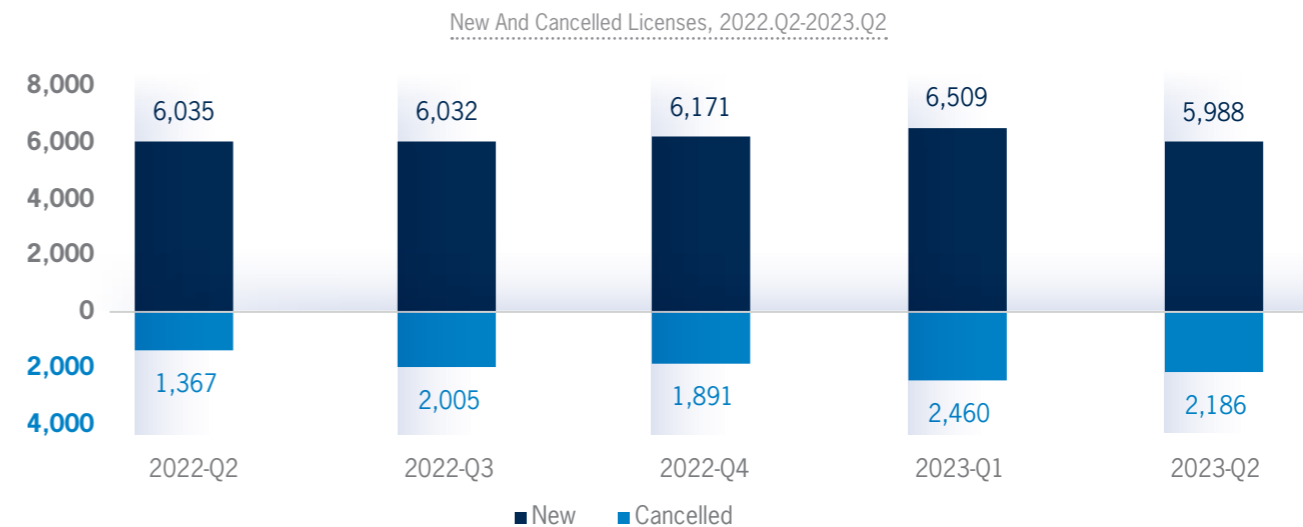
Newly Issued:

New licenses in Abu Dhabi decreased by 8.0% in Q2 2023 compared to the previous quarter.

Cancelled:

License cancellations in Abu Dhabi decreased by 11.1% in Q2 2023 compared

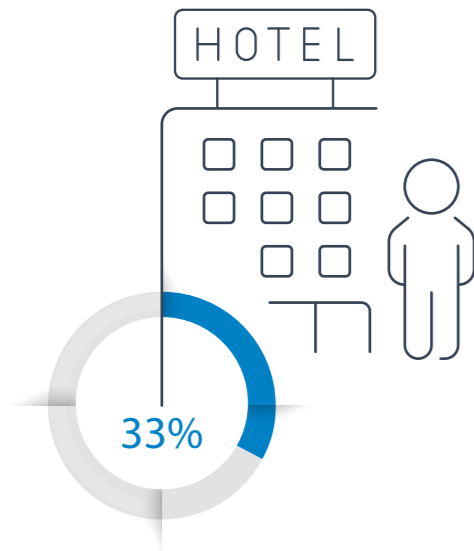
with Q1 of the same year, this may attribute to lower inflation level in Q2 2023 -mainly driven by lower fuel price-, as it averaged -0.9% on an annual basis compared with 2.6% in the previous quarter.



Source: ADDED

HOTEL PERFORMANCE

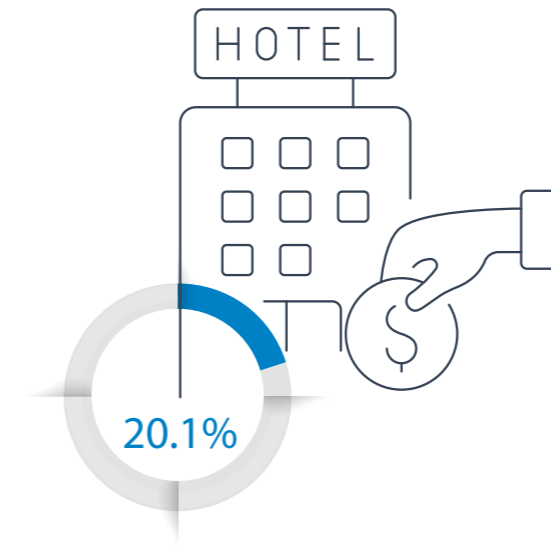
Hotel Guest Growth Rate, Jun 2023 (y/y)



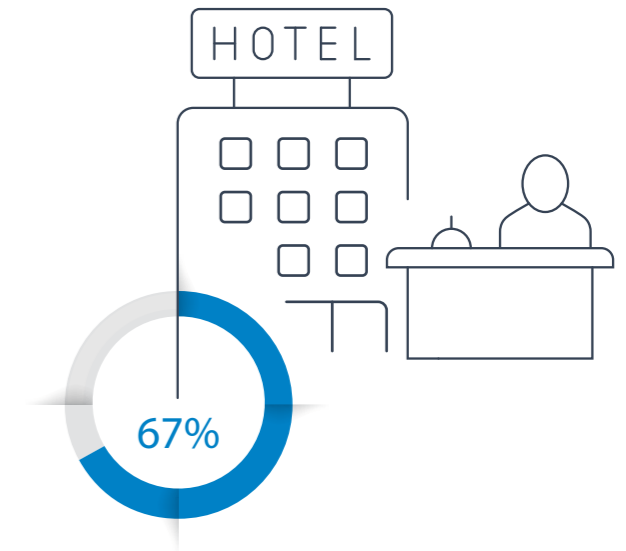
Avg Length Of Stay (ALOS), In Jun 2023



Hotels Total Revenue Growth Rate, Jun 2023 (y/y)



Hotels Occupancy Rate, 2023-Q2



Hotel Guests:

In Jun 2023, the Abu Dhabi hotel guests count increased by 33.0% (y/y) reaching more than 400 thousand. However, it is still below the 2019 (pre-pandemic) level, which averaged 431 thousand guests per month.

The share of international hotel guests in Jun was 34.6% of total hotel guests, compared with 29.8% Jun 2022.

Avg Length of Stay (ALOS):

The ALOS of hotel guests in June 2023 was 2.4 nights, lower than the values in the two previous months. In Q2 2023 the ALOS is 2.6 nights and it is lower than a year ago (3.0 in Q2 2022).

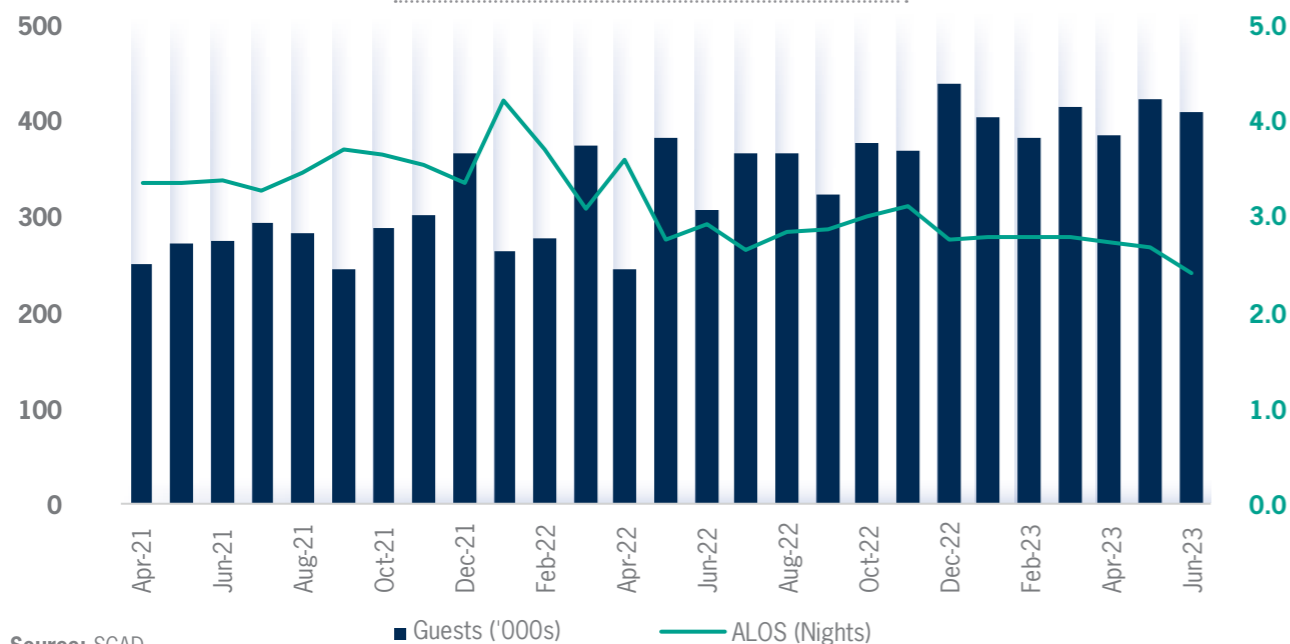
Revenue:

Abu Dhabi hotels witnessed a notable increase in total revenue of 20.1% in Jun 2023 compared with a year ago. Across Abu Dhabi City's zones, AD Island hotels captured 69.7% of total room revenues followed by Saadiyat Island & Niche Areas.

Occupancy Rate:

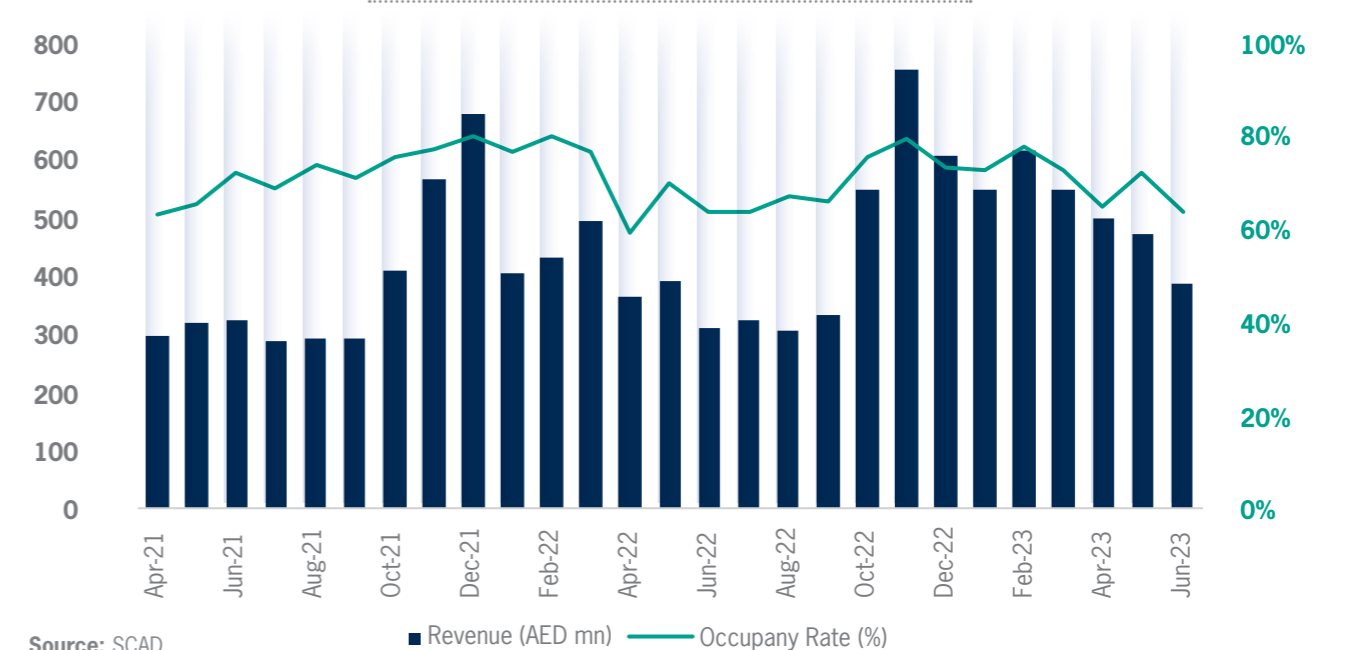
The occupancy rate of hotels in Abu Dhabi was 63% in Jun, and 67% for Q2 2023. 5-star hotels registered the lowest occupancy rate at 58%, about 5 percentage points below the level of Abu Dhabi Emirate as a whole.

Hotel Guests ('000s) Vs ALOS (nights), 2021.04-2023.06



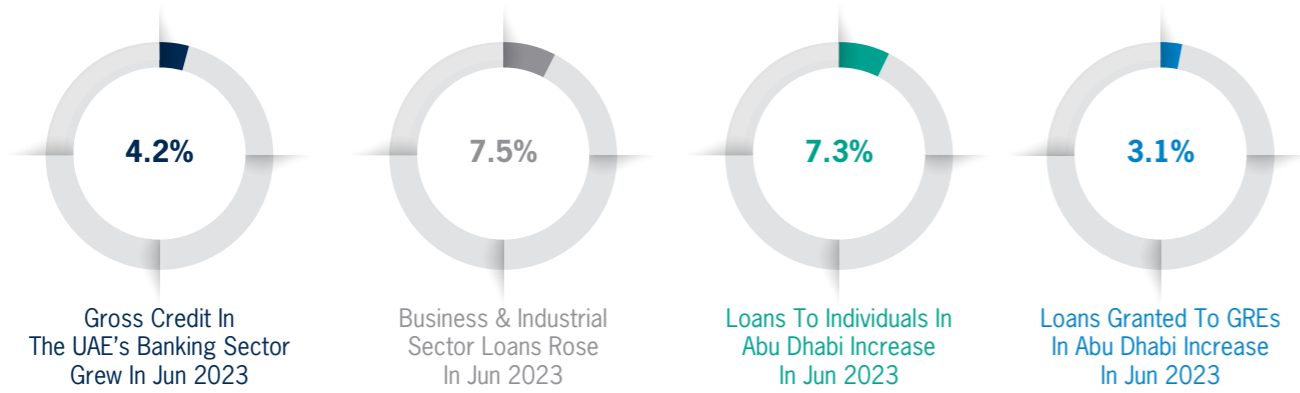
Source: SCAD

Hotel Revenue (AED mn) Vs Occupancy Rate (%), 2021.04-2023.06



Source: SCAD

BANKING INDICATORS



Gross Credit:

Gross credit in the UAE's banking sector grew by 4.2% in Jun 2023 compared with a year ago. The surge was driven mainly by an 8.1% growth in gross credit extended in Abu Dhabi, compared with a 0.4% growth in Dubai.

Private Sector Credit:

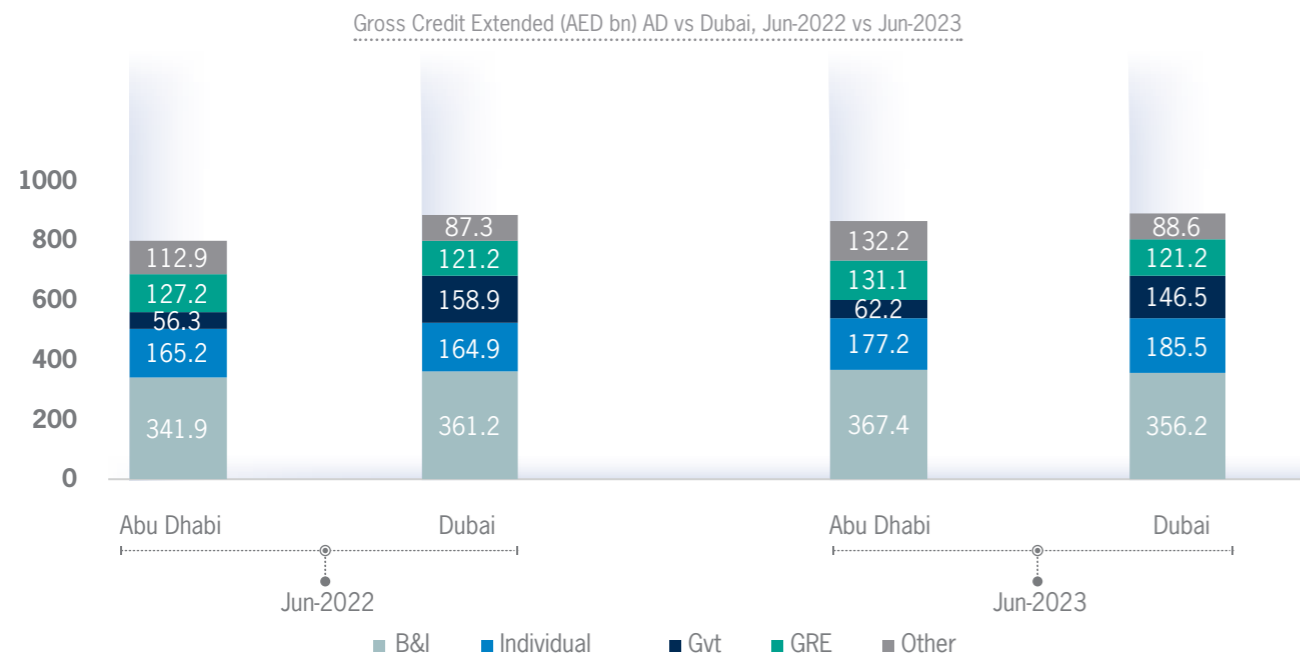
Business & industrial sector loans (68% of overall private sector credit in AD) rose by 7.5% in Jun 2023 (y/y) compared with a decline of 1.4% in Dubai, such increase reflects growing momentum among businesses activities in Abu Dhabi in line with expanding non-oil activities during Q2 2023.

Business & Individuals (B&I) Credit:

loans to individuals in AD (33% of overall private sector credit) increased by 7.3% in Jun 2023 (12.5% growth in Dubai).

Public Sector Credit:

Loans granted to GREs in Abu Dhabi increased by almost 3.1% (y/y) in Jun 2023, while GREs credit stayed at same level at 121.2 in Dubai. Yet government credit increased in Abu Dhabi by 10.5% in Jun 2023.



Source: CBUAE

SENTIMENT INDICATORS



General Business Confidence Index:

The ADDED Business Climate Index increased in Q2 2023, and the index stood at 55 points due to high levels of confidence and Values above 50 show optimism regarding the prospects of Abu Dhabi economy.

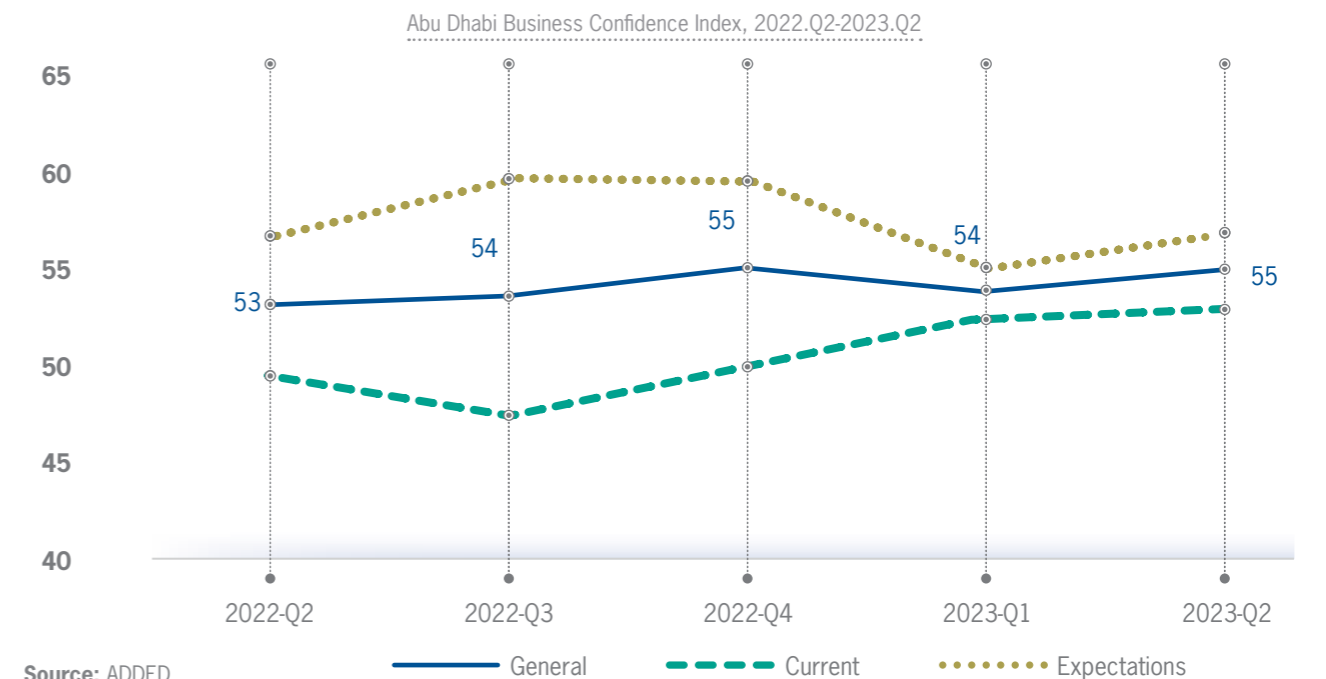
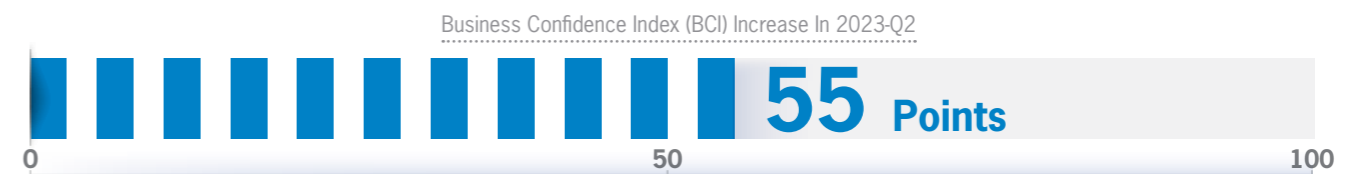
Situation Appraisal (Current):

Business current situation improved in the 2nd quarter 2023 driven by the improvement in final demand which shown in increasing of production size, prices of finished products and the prices of services.

Expectation Appraisal (Expectation):

Business expectations continue to be positive during the 2nd quarter of 2023. The business highly expecting that Abu Dhabi economy will improve in the year ahead.

- The Business Confidence Index (BCI) increased in Q2 2023, and the index stood at 55 points.
- The Consumer Confidence Index (CCI) increased in Q2 2023 to 168 from 164 points, reflecting high consumer sentiment, as readings above 100 show consumer optimism while readings below 100 show pessimism.

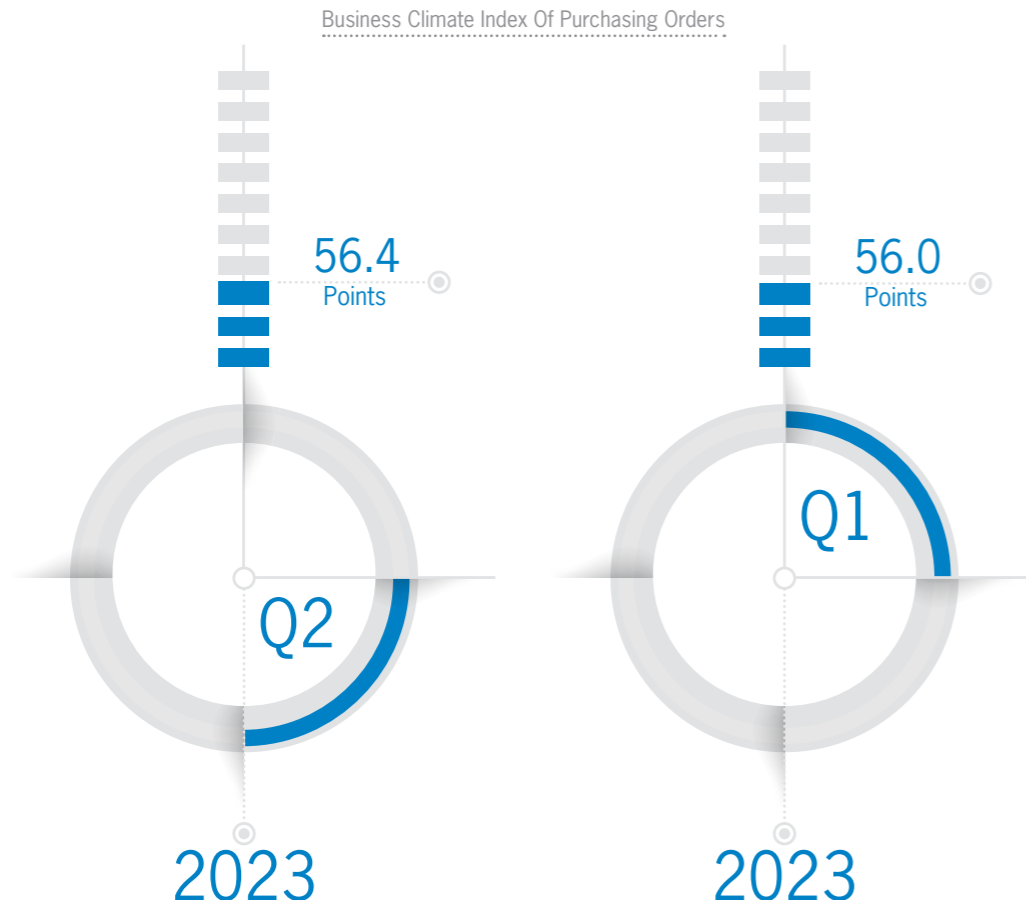


Source: ADDED

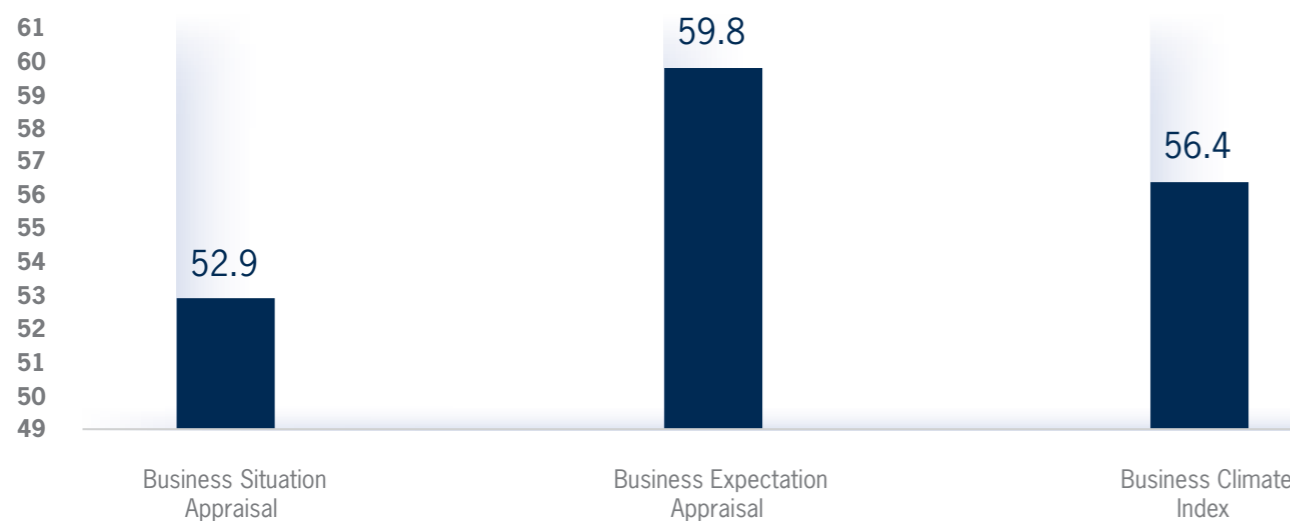
Purchasing Order:

The Business Climate Index of purchasing orders slightly increased in Q2 2023 reached 56.4 points, compared with 56.0 points in Q1

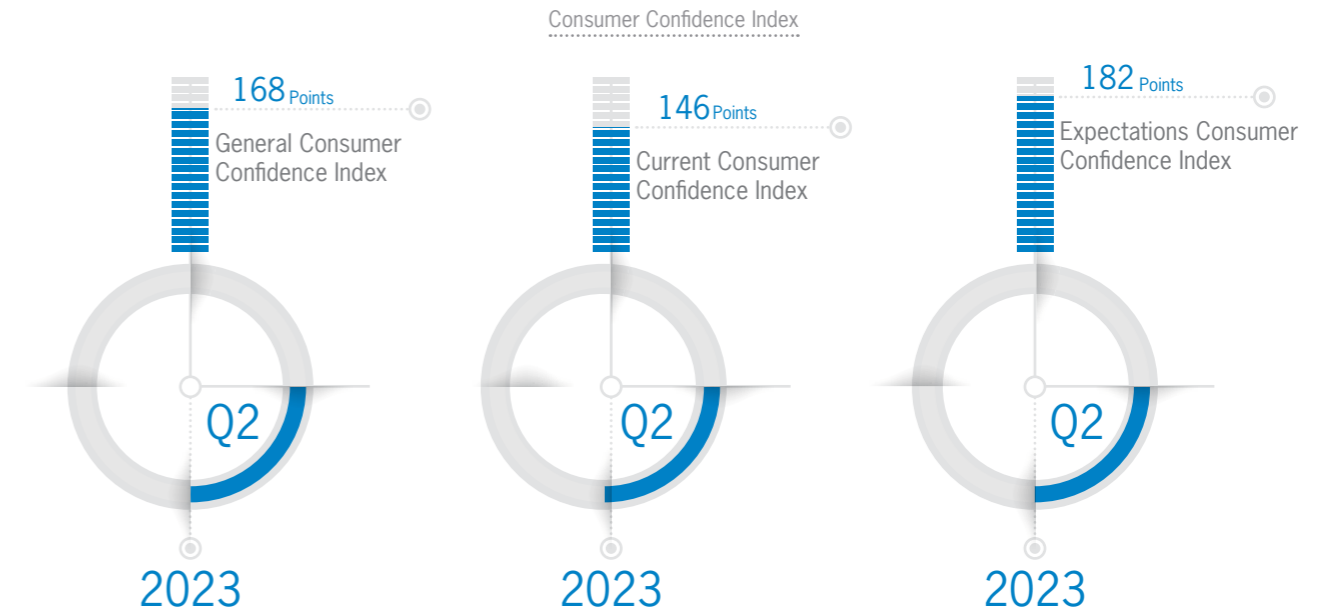
2023. More than 50 percent of the BCI sample believes that the situation remains unchanged from the previous quarter and anticipates it will increase in the future.



Abu Dhabi BCI Of Purchasing Order, 2023-Q2



Source: ADDED



General Consumer Confidence Index:

The Consumer Confidence index increased in Q2 2023 from the previous quarter to a value of 168 points. Consumers are generally optimistic as the reading is well above the neutral level (100).

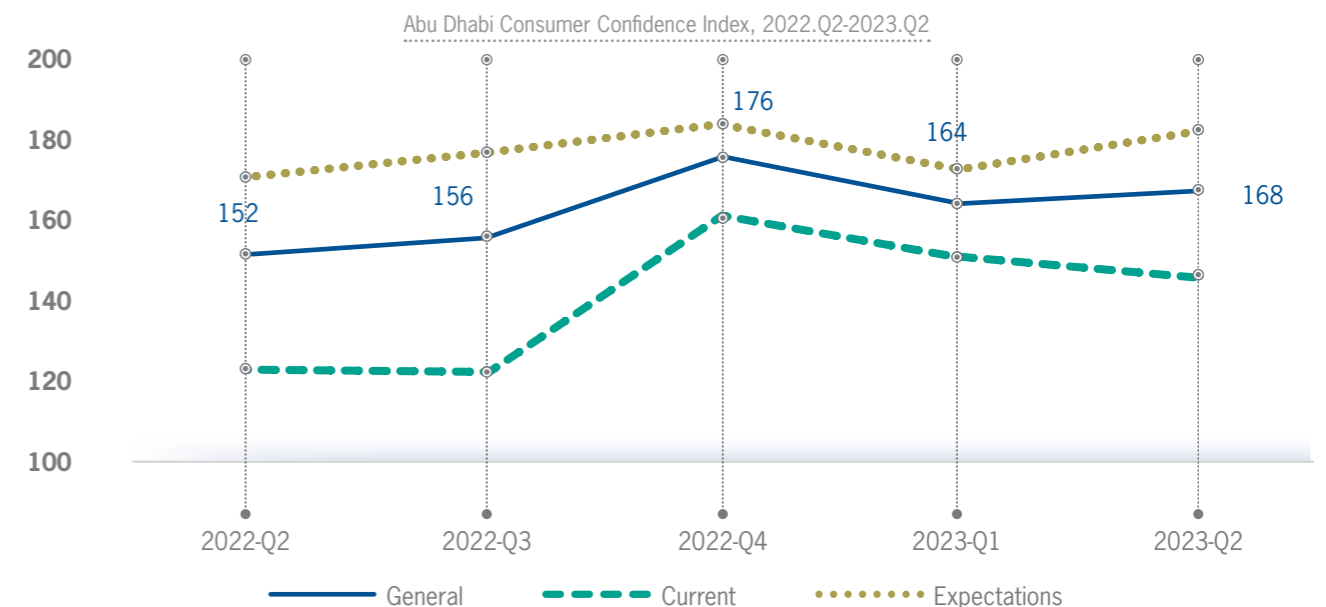
Current Consumer Confidence Index:

Consumer optimism of the current climate continued its decreasing trend reaching 146 in Q2 2023 compared with 162 in Q4 2022. The CCI sample reveals that high level of prices and high

costs of living as main reasons for the decline in sentiment.

Expectations Consumer Confidence Index:

Consumer optimism increased in Q2 2023 compared with Q1 2023 reaching 182 points. The CCI survey shows that 74% of respondents expecting the future economic conditions of the emirate of Abu Dhabi will improve. As a result, H1 2023 value is still higher than all the readings in 2022, except for Q4.



Source: ADDED



دائرة التنمية الاقتصادية
DEPARTMENT OF ECONOMIC DEVELOPMENT

Abu Dhabi Department of Economic Development
Economic Strategy Sector