



دائرة التنمية الاقتصادية  
DEPARTMENT OF ECONOMIC DEVELOPMENT

INITIAL RELEASE

# Q1 ABU DHABI 2023 ECONOMIC UPDATE



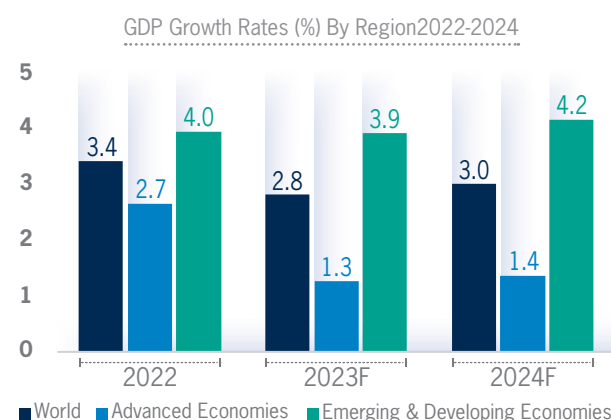
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## GLOBAL UPDATE

### Global Growth:

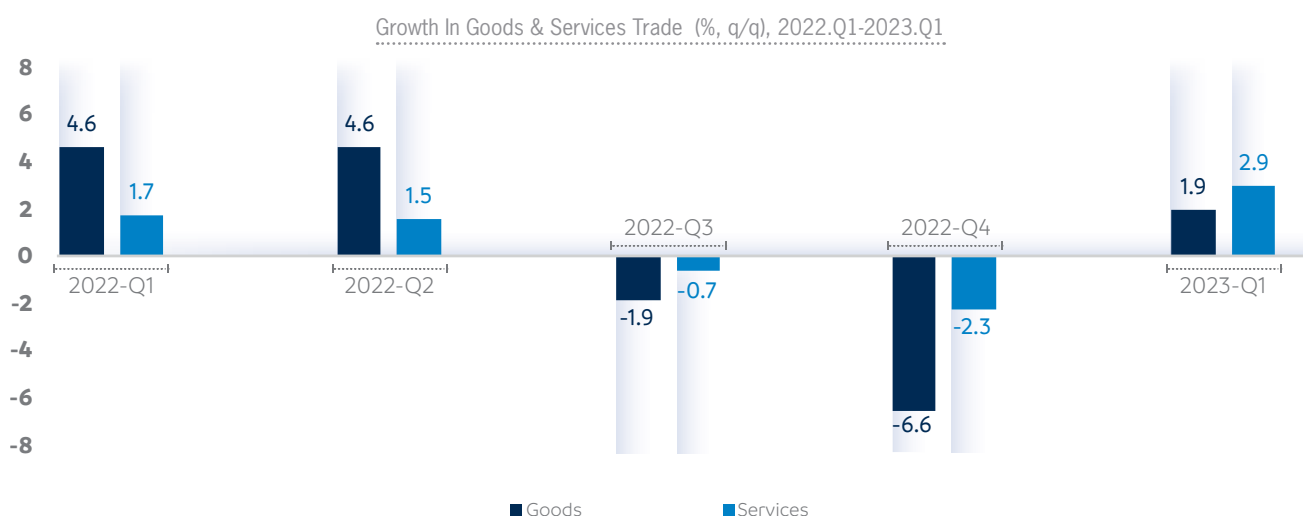
In Q1 2023, the global economy has seen some positive signs with inflation and energy prices decreased from peak levels. However, the continued high cost of living, rising interest rates and tighter monetary & financial conditions, will affect private consumption and investment in many parts of the world. With such dynamics, global growth estimates were lowered from previous WEO (Oct 2022) with growth in 2023 now at 2.8% and 3.0% in 2024



### World Trade:

Trade in both goods and in services rebounded in Q1 2023 after having contracted in the final two quarters of 2022 (on a q/q

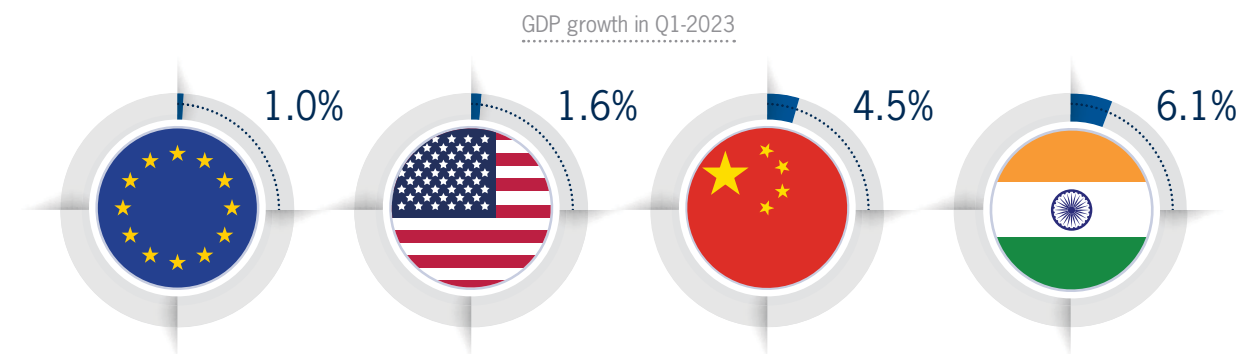
- In April 2023, the IMF World Economic Outlook (WEO) projected global growth to fall from an estimated 3.4% in 2022 to 2.8% in 2023, due to continued high inflation rates, ongoing effects of Russia's invasion of Ukraine, tighter monetary & financial conditions, and persistent geopolitical uncertainties
- According to the World Trade Organization (WTO), global trade volume is forecasted to grow by 1.7% in 2023 before reaching 3.2% in 2024. Continuing geopolitical tensions, food insecurity and tightening monetary policies are posing downside risks



### Major Economies Growth:

Due to improved exports performance and consumer spending, US GDP increased y/y by 1.6% in Q1 2023. China's GDP rose by 4.5% during the same period, as it largely reopened its economy. The Euro Area has seen growth

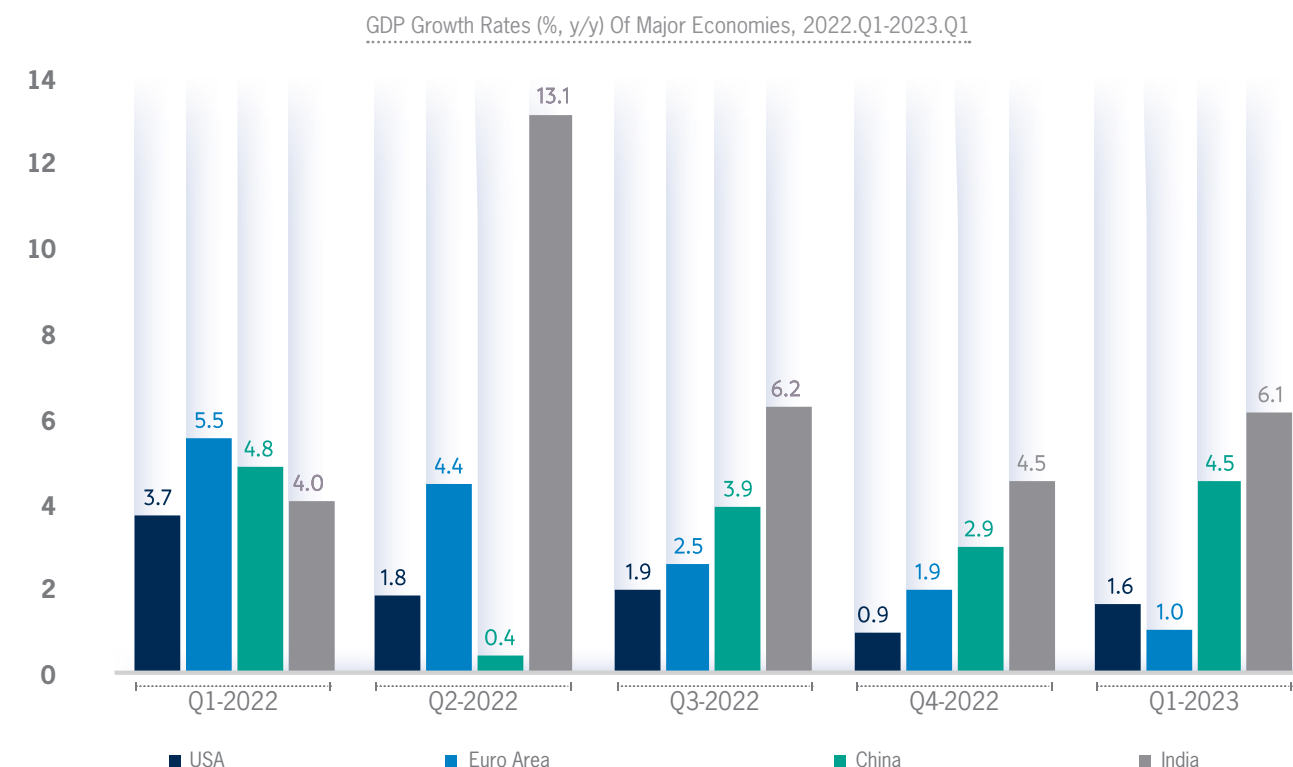
fall in each subsequent quarter throughout 2022 and is in danger of succumbing to a technical recession in 2023. India is the best-performing major country and had growth of 6.1% (y/y) in Q1 2023



### Euro Area Growth:

The Euro Area economy decelerated to 1.0% y/y growth in Q1 2023, driven by elevated inflation, weak industrial activity, and a worsening global economic

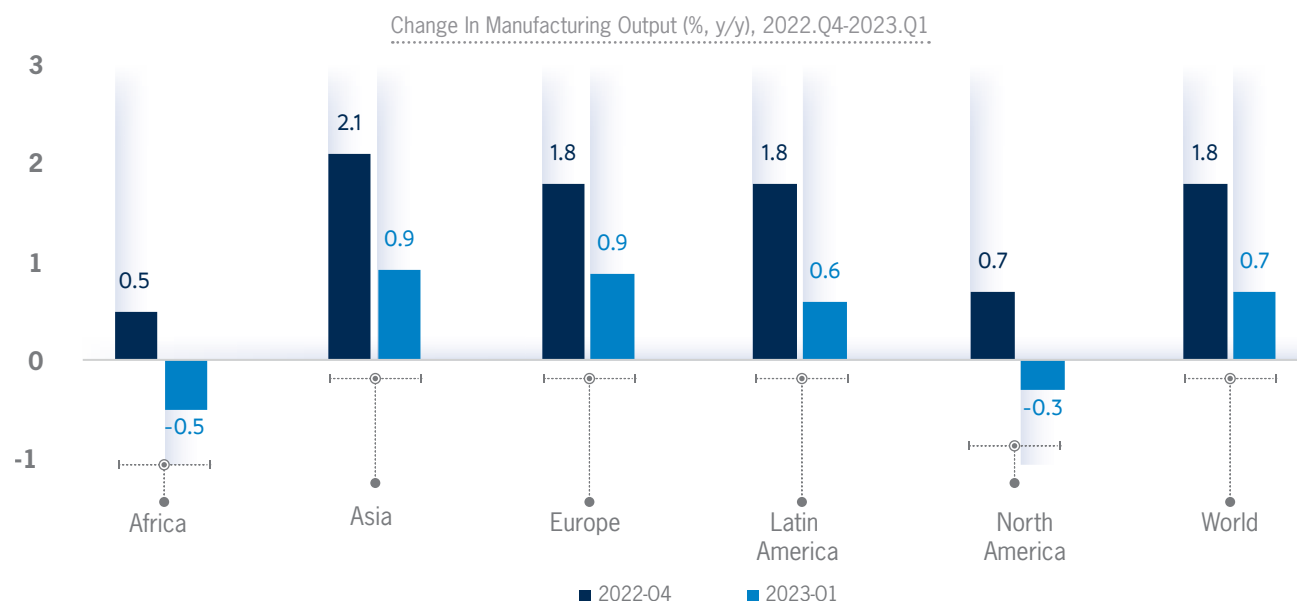
outlook. Germany, the Eurozone's largest economy, saw GDP contract by 0.5% y/y, as it and the Euro Area flirt with a technical recession



## Global Manufacturing:

In Q1 2023, global manufacturing growth slowed to its lowest level in more than two years, coming in at 0.7%. Ongoing supply chain disruptions along with rising interest rates and slowing global demand have jointly

affected business confidence and increased uncertainty. Although all major regions recorded significant slowdowns in Q1 2023, Asia and Europe posted the highest growth rates, at 0.9% in both regions

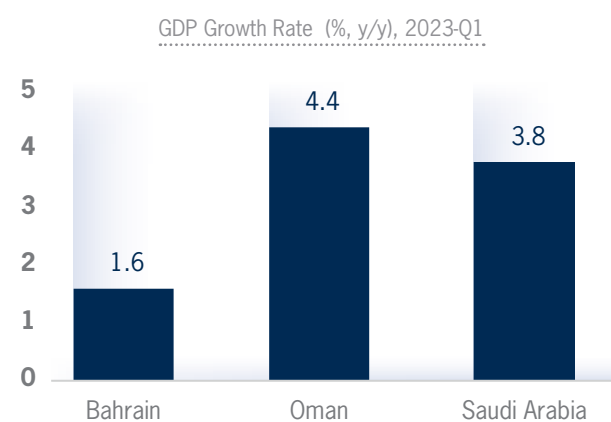
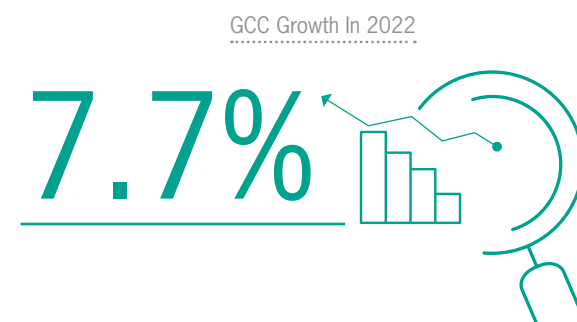


Source: UNIDO, World Manufacturing Production

## REGIONAL UPDATE

### GCC Growth

Following a 7.7% growth rate in 2022, the GCC economy is expected to slow down remarkable in 2023 given OPEC+ intentions to further cut oil production, as well as enduring tightening monetary policies and inflationary pressures. In Q1 2023, KSA economy grew by 3.8% (y/y) thanks to strong performance among non-oil segments, which rose by 5.4%, whereas oil sector expanded by just 1.4% due to production cuts.

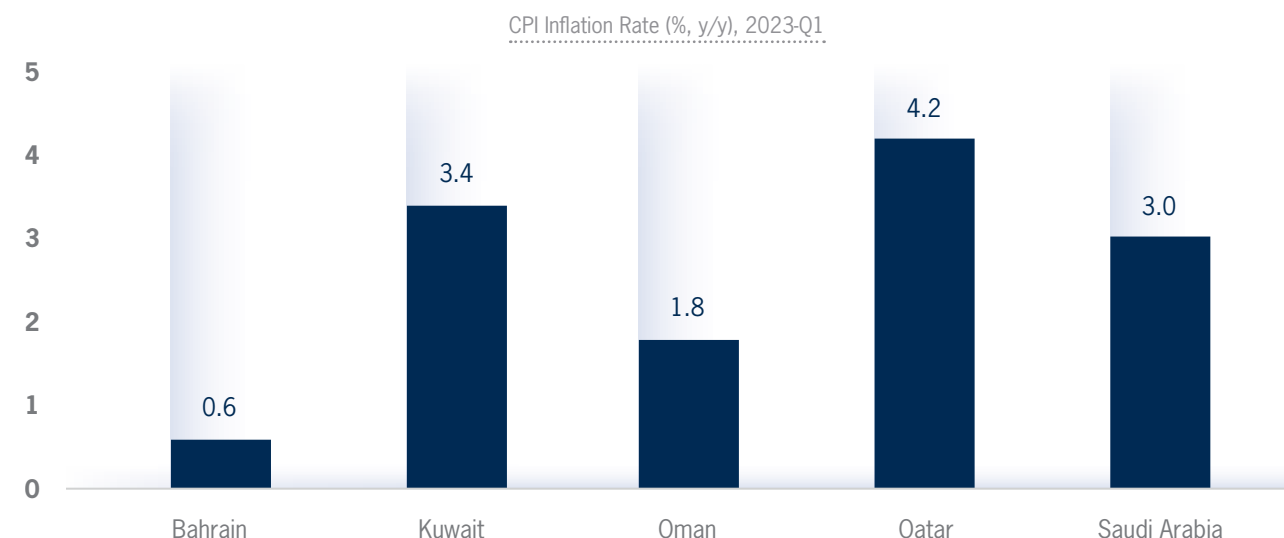


Source: National statistical offices

## GCC Inflation:

Following the US Federal Reserve hike in March 2023, central banks across the GCC raised their interest rates similarly by 25 bps. In Qatar, after a high record inflation rate of almost 6% in Dec. 2022, the general price level dropped to 4.2% in March 2023 as tourism

and hospitality related groups prices (hotels, restaurants, culture and recreation activities) moderated significantly post FIFA World Cup. In KSA, despite inflationary pressures among leading trading partners, inflation dropped to 3% in Q1 2023, while in Oman inflation relaxed to 1.8%.



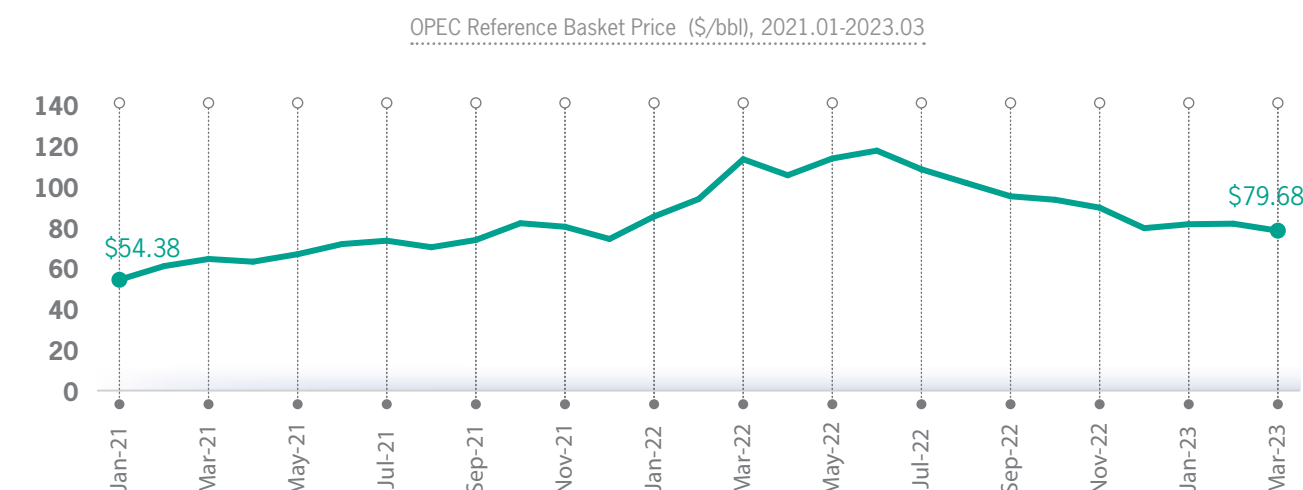
Source: National statistical offices

## OIL MARKET UPDATE

### Oil Price:

In March 2023, the OPEC Reference Basket value fell to its lowest value since January 2022, recording a decline of 4.2%

(\$3.43/bbl) compared to the previous month. This was impacted by rising US crude oil inventories along with macroeconomic events that contributed to market volatility



Source: OPEC (Monthly Oil Market Report)

## World Oil Production:

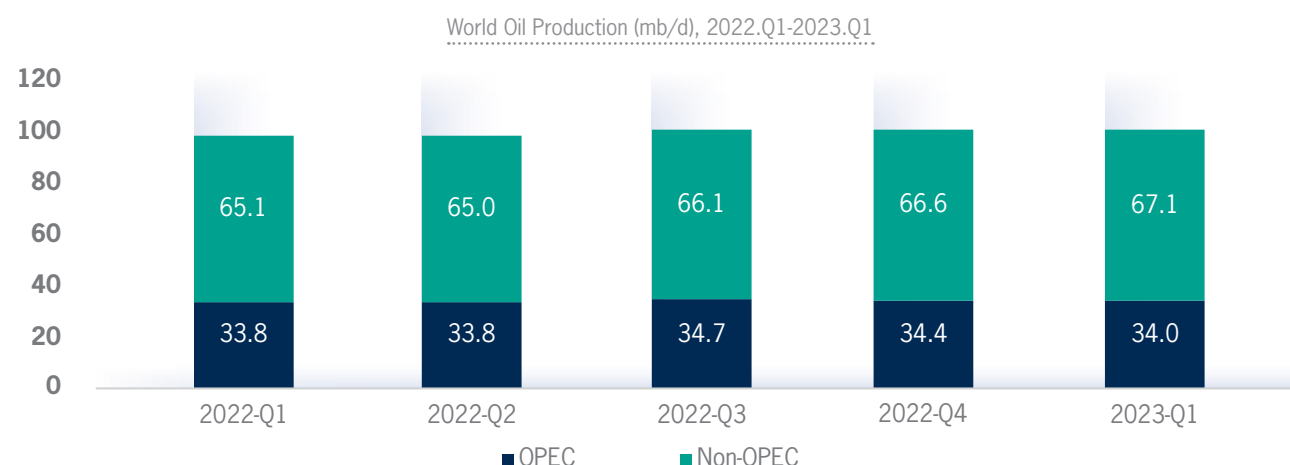
As part of OPEC+ production cut, OPEC lowered its production by 280 kb/d in Q1

2023 compared with Q4 2022, led by Saudi Arabia (249 kb/d), Iraq (131 kb/d), and the UAE (51 kb/d)\*

## OPEC Market Share:

OPEC's share in the oil market has witnessed a gradual marginal decline since Q3 2022, as OPEC+ agreed to deep production cuts in Q4

2022 (Oct) of ~2 mb/d – almost 2% of global output – seeking to offset declining oil prices

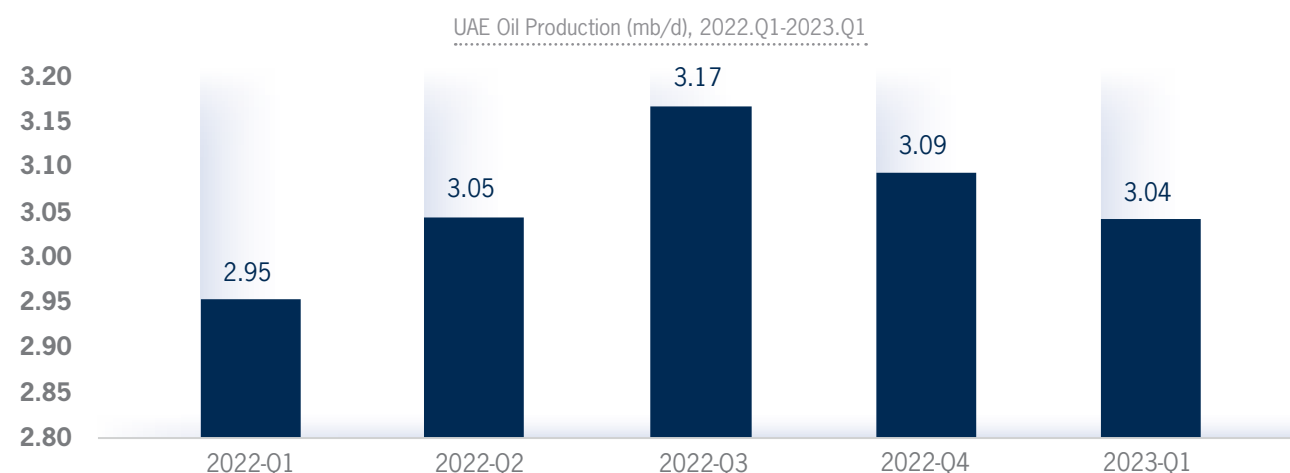


Source: EIA

## UAE Oil Production:

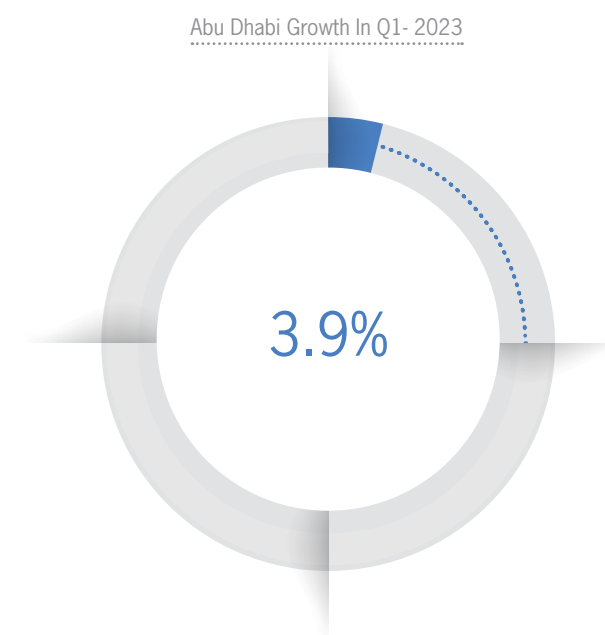
Crude oil production witnessed an increase of 3.0% in Q1 2023 compared with Q1 2022, but declined 1.6% on a q/q basis in line with the OPEC+ announcement to cut oil production. Nevertheless, by 2024 the new required production for the UAE will be 3.22 mb/d

The vast majority (>95%) of oil production in the UAE is 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

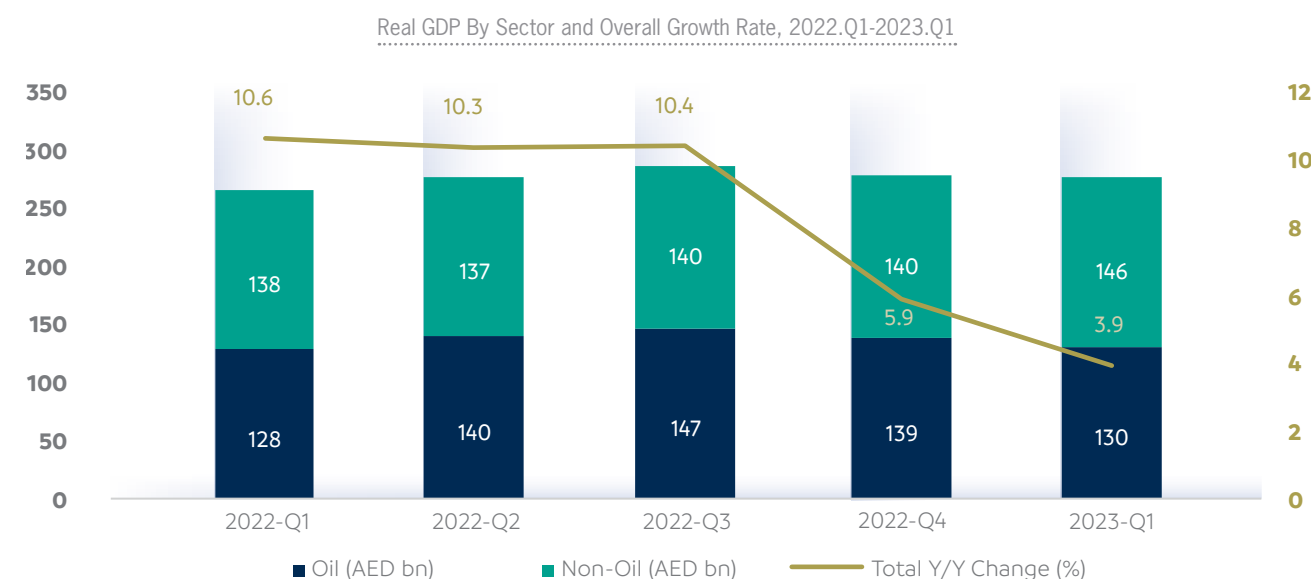


## Gross Domestic Product (GDP):

Despite the ongoing challenges in the global landscape, Abu Dhabi's economic was able to achieve a growth of 3.9% y/y in Q1 2023, driven by the strong performance of non-oil economic activities.

Oil activity in Abu Dhabi grew 1.6% y/y in Q1 2023 but fell q/q due to OPEC+ agreement to reduce oil production

- In Q1 2023, the Abu Dhabi economy grew 3.9% y/y. Growth favoured the non-oil sector (6.1%) compared with the oil sector (1.6%) due to production cuts. In fact, oil GDP contracted by 6.0% on a q/q basis
- New commercial licenses in Abu Dhabi were up 5.4% q/q, but down 9.3% compared with a year ago
- In Q1 2023, the number of guests in Abu Dhabi hotels increased by 35.6% compared with the same period a year ago – the economy was still under Covid restrictions in early 2022. The average length of stay (nights) for guests was 2.8 in Q1 2023, down from 3.6 in Q1 2022
- In Q1 2023, Abu Dhabi's overall non-oil foreign goods trade increased by 18.9% (y/y), reaching AED73.1bn. Exports maintained its growing momentum posting 4.5% y/y growth. In addition, imports increased by 29.2% y/y. Switzerland was the largest export partner of Abu Dhabi (AED7.45bn), while Saudi Arabia was the largest import partner (AED3.93bn)



Source: SCAD

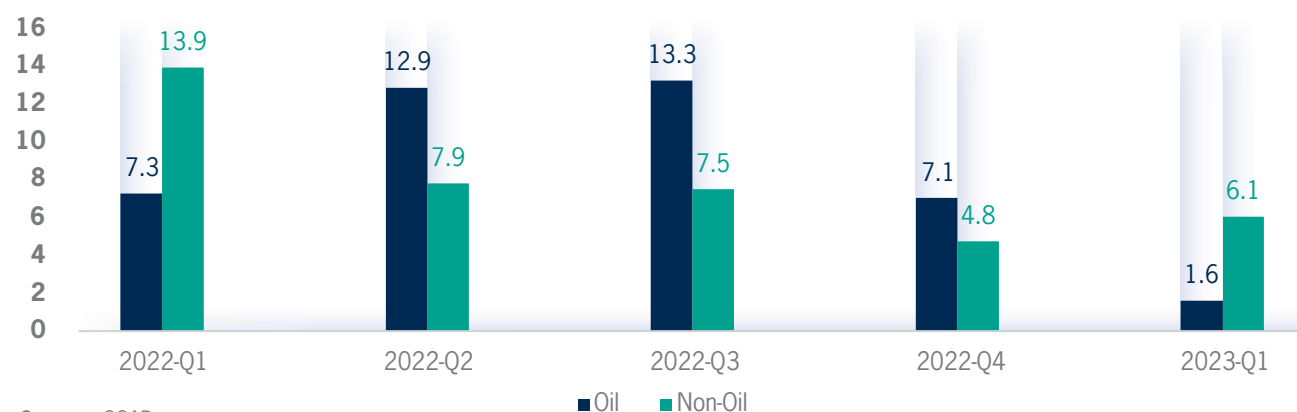


### Oil vs Non-Oil:

In Q1 2023, the contribution of non-oil activities to the overall GDP has reached its highest level in eight years at 52.8%, indicating the emirate's competitiveness and attractiveness for business, investment, and

talent. In addition to the integration between the various economic sectors as a result of the relentless and continuous efforts in terms of economic diversification and sustainable development

Oil Vs Non-Oil Growth Rates (% y/y), 2022.Q1-2023.Q1



Source: SCAD

### Non-Oil Foreign Goods Trade:

Total trade in Q1 2023 was up 18.9% compared with the same period a year ago, but was up just 2.8% compared with the previous period

The (y/y) growth was powered by imports (29.2%) and re-exports (26.4%). Exports grew by only 4.5%

However, on a q/q basis, the largest gain was in re-exports (15.6%), while exports contracted at rate of -1.3%

The top-5 trade partners of Abu Dhabi in Q1 2023 (1 through 5):

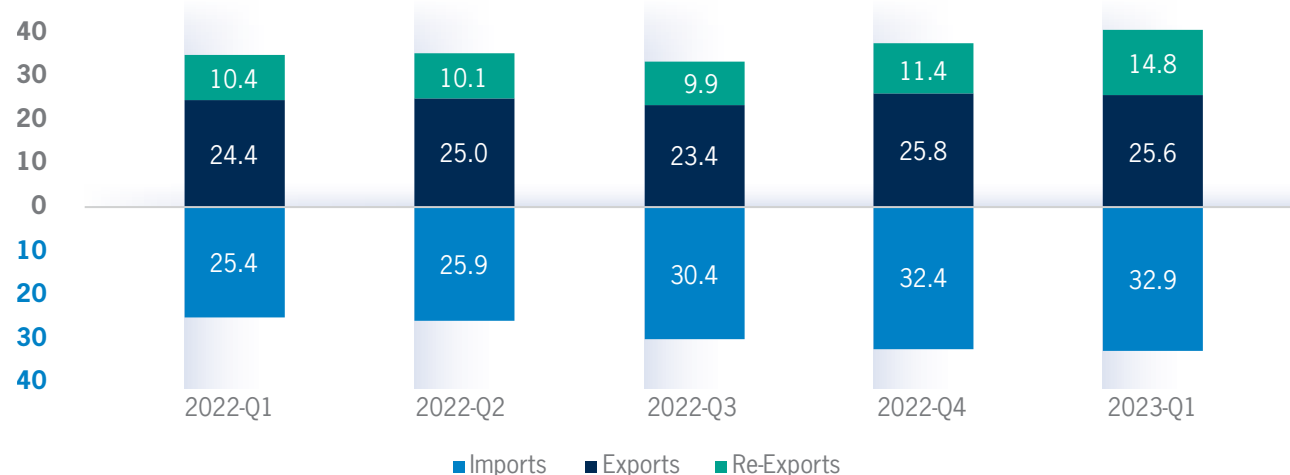
**Total:** Saudi Arabia, Switzerland, USA, China, and Kuwait

**Imports:** Saudi Arabia, USA, China, Congo, and Japan

**Exports:** Switzerland, Saudi Arabia, India, Kuwait, and USA

**Re-exports:** Saudi Arabia, Qatar, Kuwait, Netherlands, and Germany

Non-Oil Foreign Goods Trade\* (AED bn), 2022.Q1-2023.Q1



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

## COMMERCIAL LICENCES

### Newly Issued:

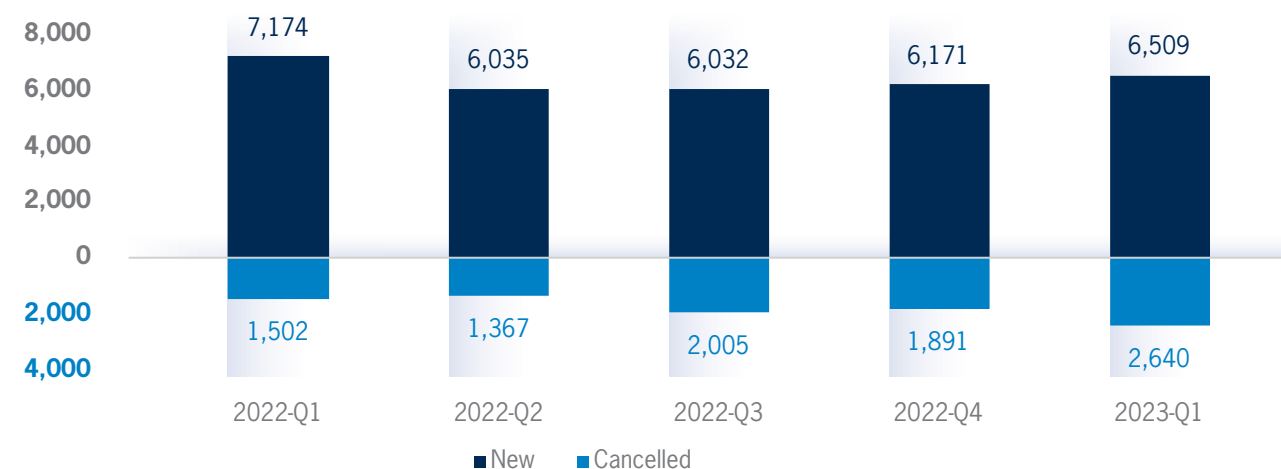
New licenses in Abu Dhabi increased by 5.5% in Q1 2023 compared to the previous quarter

### Cancelled:

Licence cancellations in Abu Dhabi increased by 63.8% in Q1 2023 compared

with a year ago. Although Q1 2023 inflation is lower than Q1 2022 inflation, the accumulative effects of higher inflation throughout 2022 – which averaged 5.6% on an annual basis but peaked at 9.6% in Jul 2022 – had a negative impact on the overall economy and played a role in the growth of cancellations

New And Cancelled Licences, 2022.Q1-2023.Q1

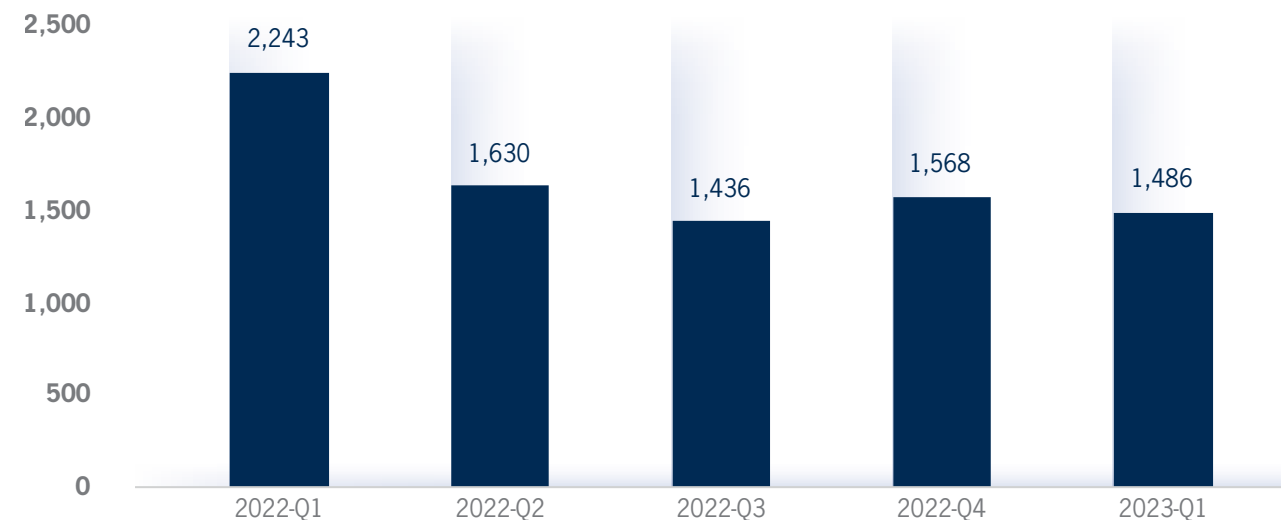


Source: DED

### Tajer:

Tajer Abu Dhabi new licenses decreased by 33.7% y/y in Q1 2023, while showing 5.2% decline on a quarterly basis

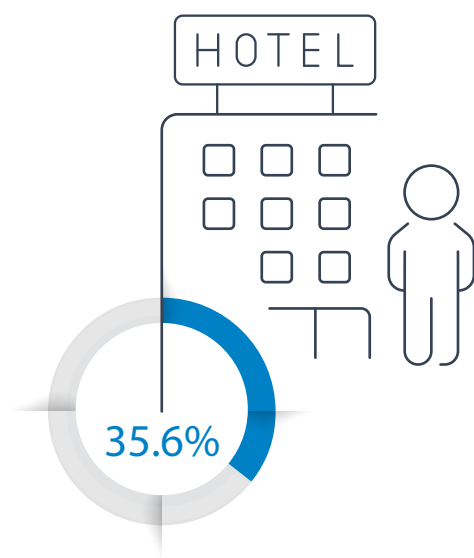
Tajer (trade) Licences, 2022.Q1-2023.Q1



Source: DED

## HOTEL PERFORMANCE

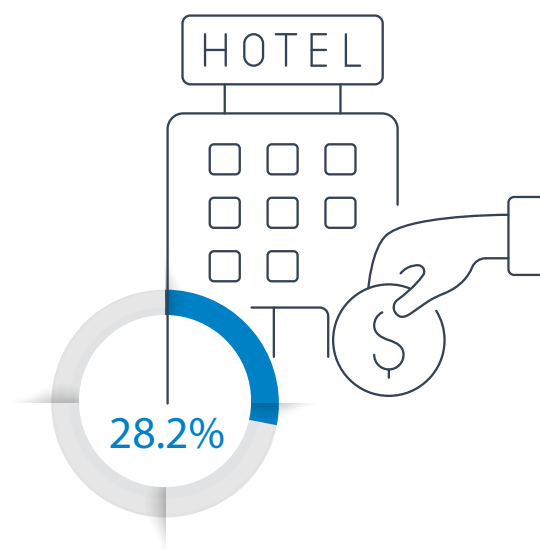
Hotel Guest Growth Rate, Q1 2023 (y/y)



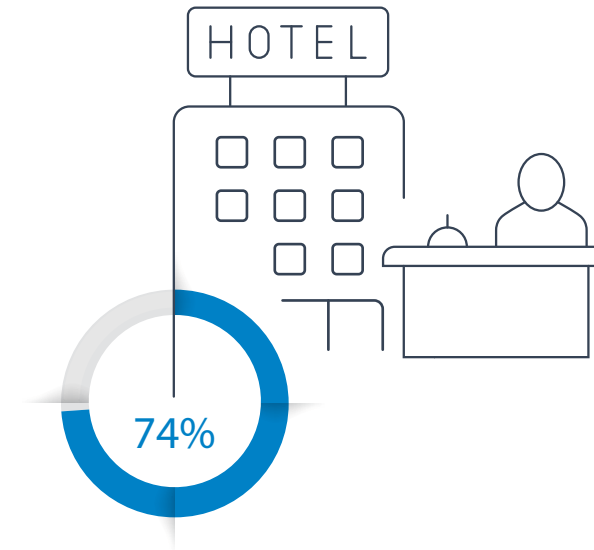
Avg Length of Stay (ALOS), Q1 2023 (y/y)



Hotels Total Revenue Growth Rate, Q1 2023 (y/y)



Hotels Occupancy Rate, Q1 2023 (y/y)



### Hotel Guests:

In Q1 2023, the Abu Dhabi hotel guest count increased by 35.6% (y/y) reaching 1.2 million guests. This was the highest value in over 3 years. However, it is still below the 2019 (pre-pandemic) level, which averaged 428 thousand guests per month.

The share of international hotel guests in Q1 2023 was 45.4% of total hotel guests, compared with 34.0% in Q1 2022

### Avg Length of Stay (ALOS):

The ALOS of hotel guests in Q1 2023 was 2.8 nights. This was significantly lower than a year ago as in Q1 2022 the ALOS was 3.6 nights.

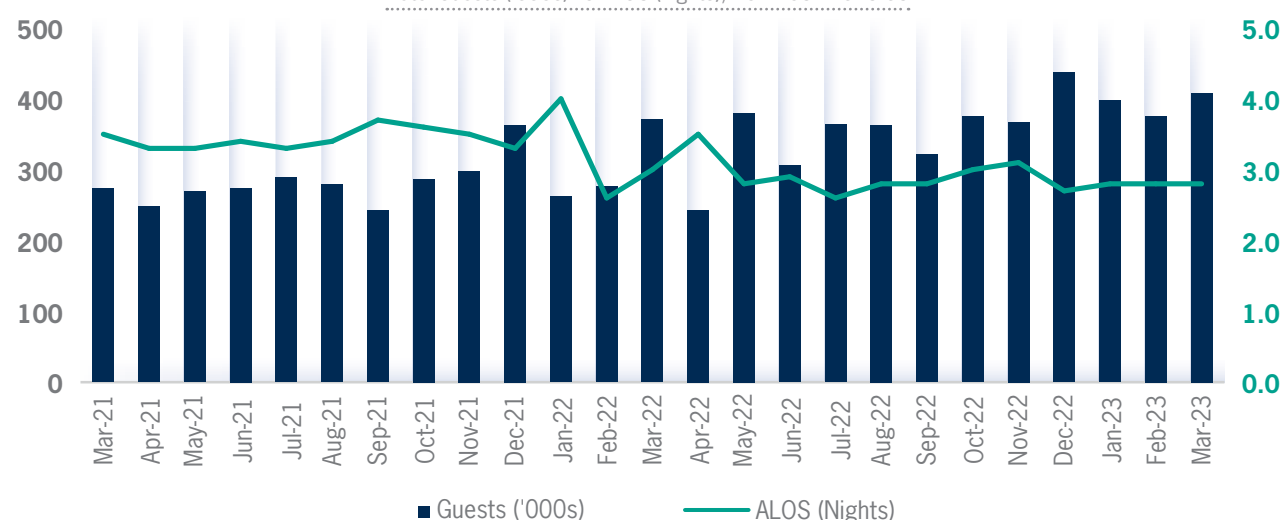
### Revenue:

Abu Dhabi hotels witnessed a notable increase in total revenue of 28.2% in Q1 2023 compared with a year ago. Across Abu Dhabi City's zones, AD Island hotels captured 63% of total room revenues followed by Saadiyat Island & Niche Areas hotels. F&B revenues contributed 33% of total revenues in Q1 2023

### Occupancy Rate:

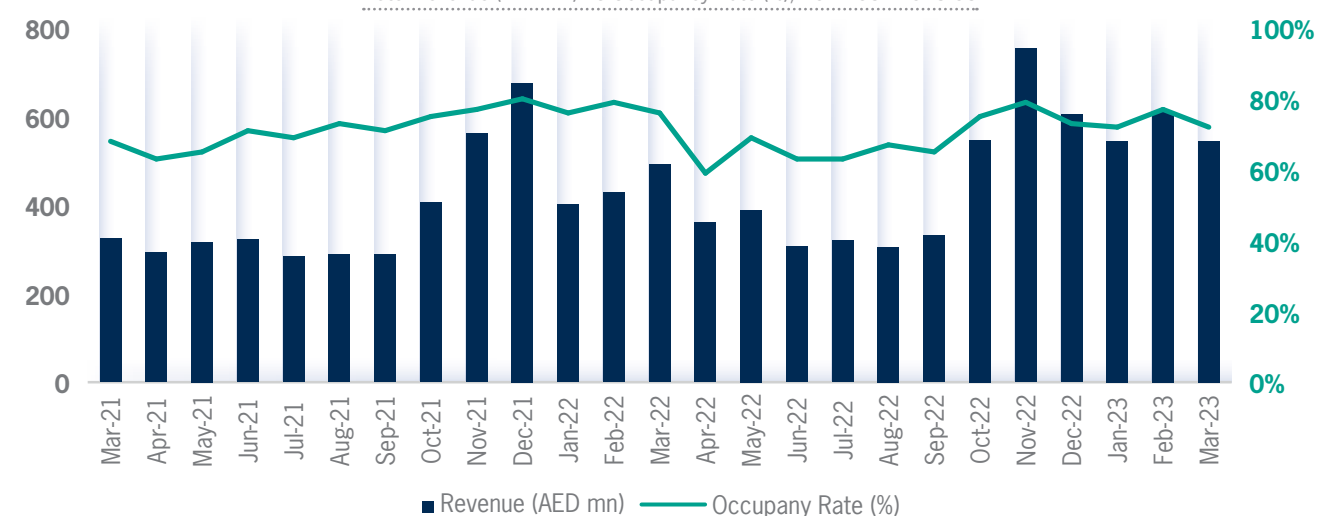
The occupancy rate of hotels in Abu Dhabi was 74% in Q1 2023. Compared with a year ago this was down 3.0 percentage points for the quarter. 1-3-star hotels registered the lowest occupancy rate at 69%, about 5 percentage points below the level of Abu Dhabi Emirate as a whole.

Hotel Guests ('000s) vs ALOS (nights), 2021.03 - 2023.03



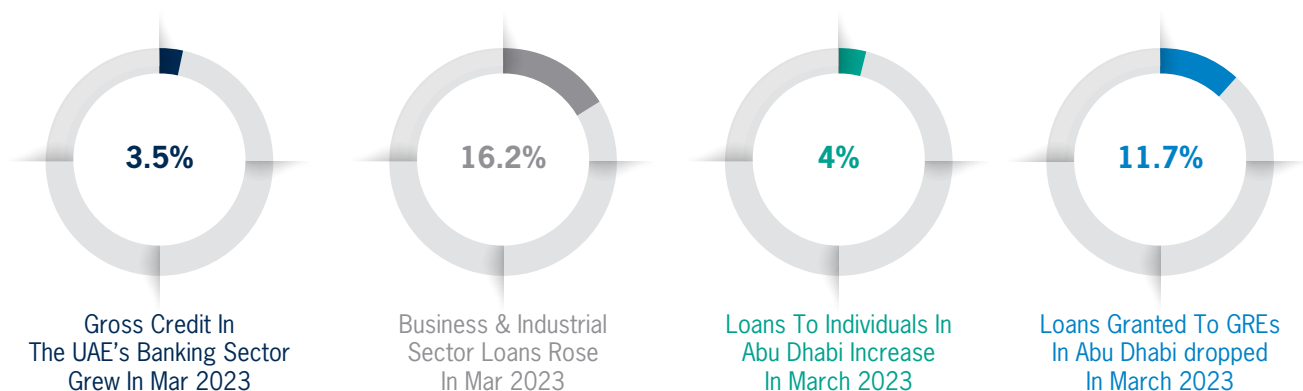
Source: DCT

Hotel Revenue (AED mn) Vs Occupancy Rate (%), 2021.03 - 2023.03



Source: DCT

## BANKING INDICATORS



### Gross Credit:

Gross credit in the UAE's banking sector grew by 3.5% in Mar 2023 compared with a year ago. The surge was driven mainly by a 9.9% growth in gross credit extended in Abu Dhabi, compared with a 2.0% decline in Dubai

### Private Sector Credit:

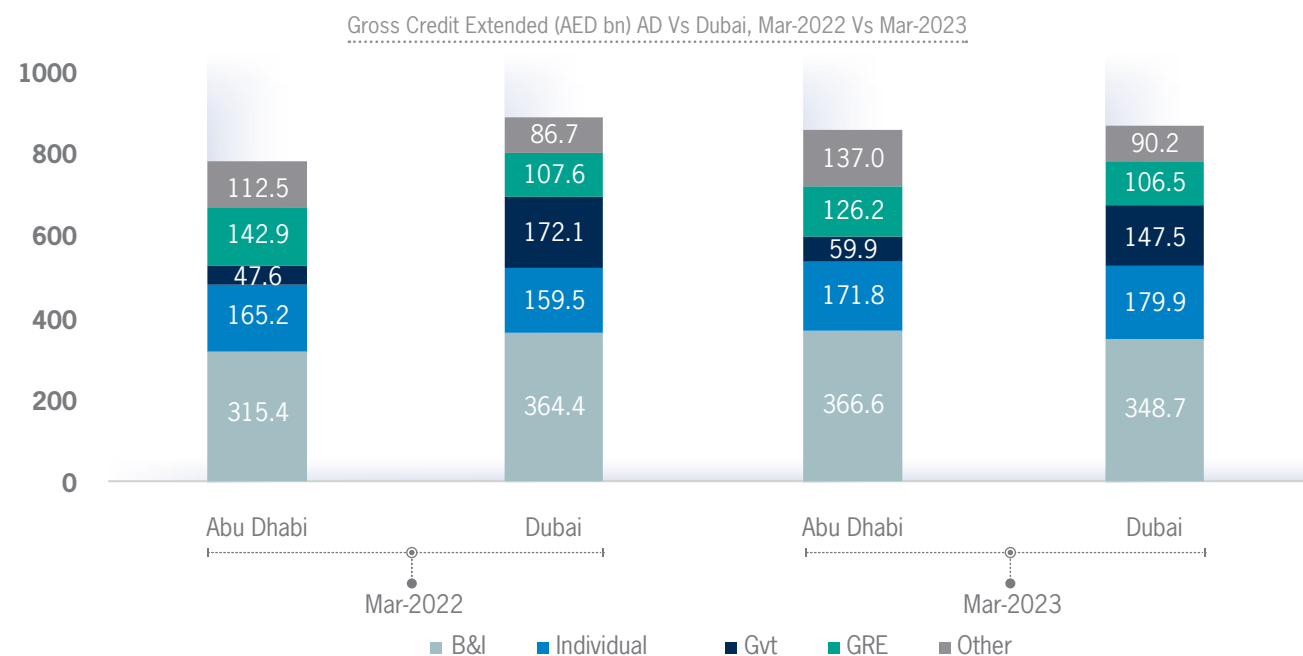
Business & industrial sector loans (68% of overall private sector credit in AD) rose by 16.2% in Mar 2023 compared with a decline of 4.3% in Dubai

### Business & Individuals (B&I) Credit:

Despite the rise in the cost of borrowing due to rising interest rates in UAE banks, loans to individuals in AD (33% of overall private sector credit) increased by 4.0% in Mar 2023 (12.8% growth in Dubai)

### Public Sector Credit:

Loans granted to GREs in Abu Dhabi dropped by almost 11.7% (y/y) in Mar 2023, while GREs credit dropped in Dubai by 1.0%. Yet government credit increased in Abu Dhabi by 25.8% in Mar 2023



Source: CBUAE

## SENTIMENT INDICATORS

### General Business Confidence Index:

The ADDED Business Climate Index decreased in Q1 2023, due to a fall in business expectation appraisal (outlook sentiment)

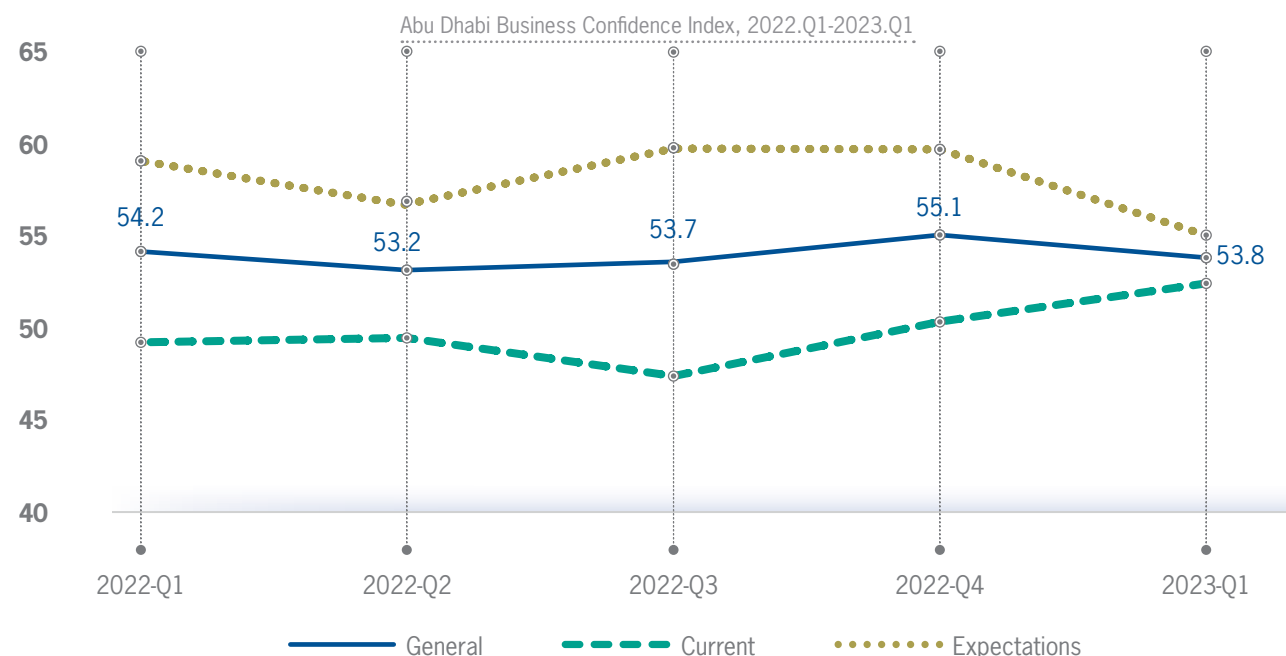
### Situation Appraisal (Current):

Business situation appraisal improved in Q1 2023 driven by the improvement in final demand which shown in both prices of finished products and services, as well as increasing of production size

### Expectation Appraisal (Expectation):

Business expectations fell in the Q1 2023 to 55.2 points. Although sentiment is still positive (i.e. >50), the outlook is less rosy and is at its lowest over the past year

- The Business Confidence Index (BCI) decreased in Q1 2023 due to a drop in business expectations (outlook)
- The Consumer Confidence Index (CCI) decreased in Q1 2023 to 164 from 176 points. However, consumer sentiment is still high. Readings above 100 show consumer optimism while readings below 100 show pessimism



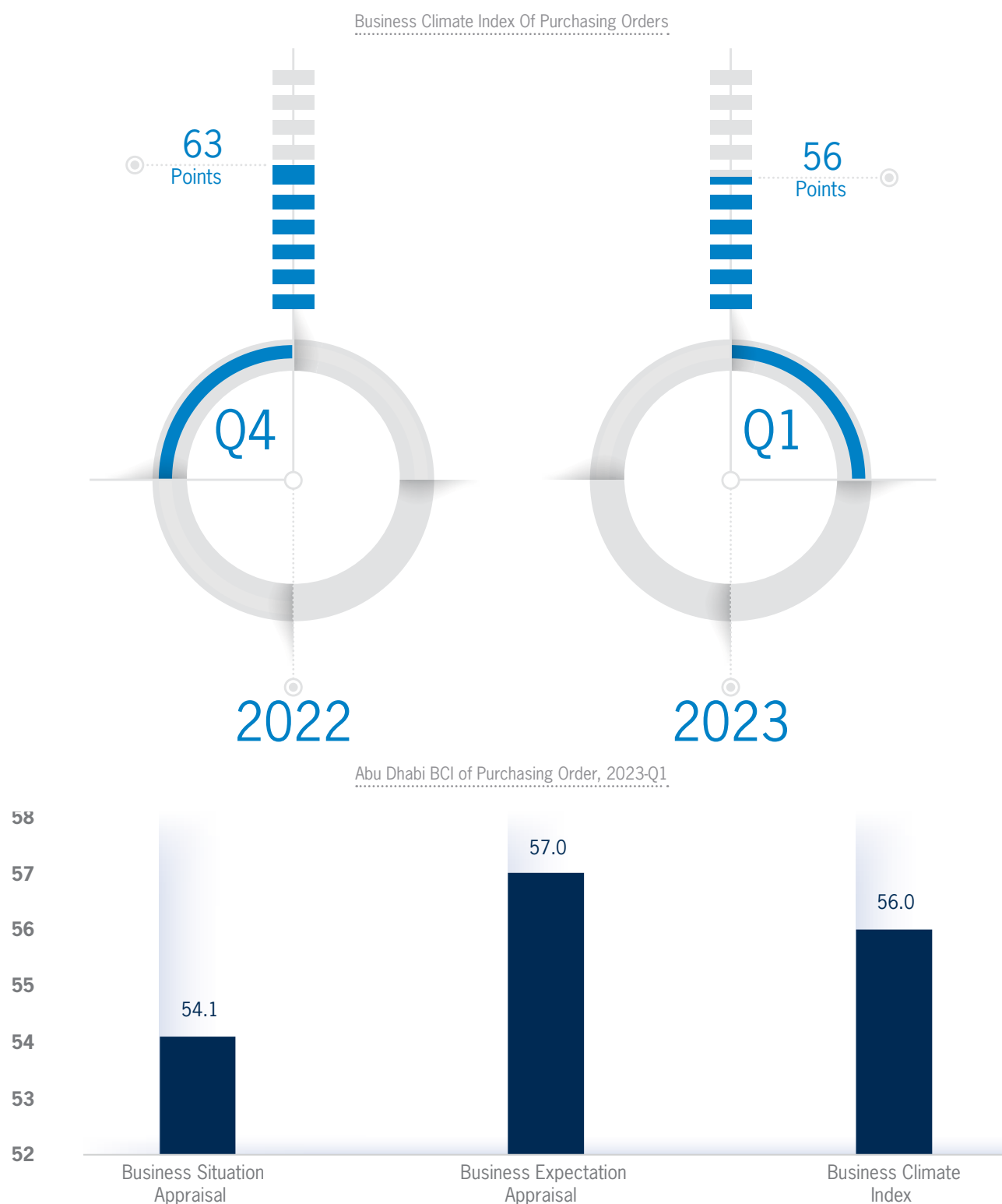
Source: DED



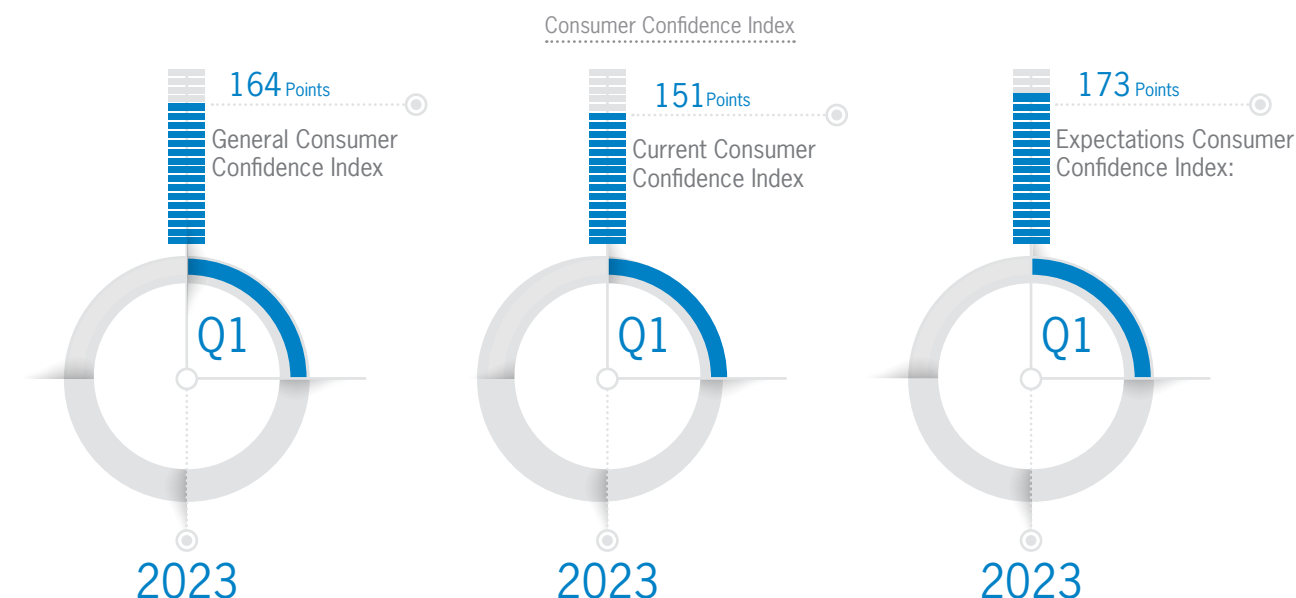
## Purchasing Order:

The Business Climate Index of purchasing orders in Q1 2023 reached 56 points, compared with 63 points in Q4 2022. More

than 50 percent of the BCI sample believes that the situation remains unchanged from the previous quarter and anticipate it will continue in the future



Source: DED



## General Consumer Confidence Index:

The Consumer Confidence index decreased in Q1 2023 from the previous quarter to a value of 164 points. However, consumers are still generally optimistic as the reading is well above the neutral level (100)

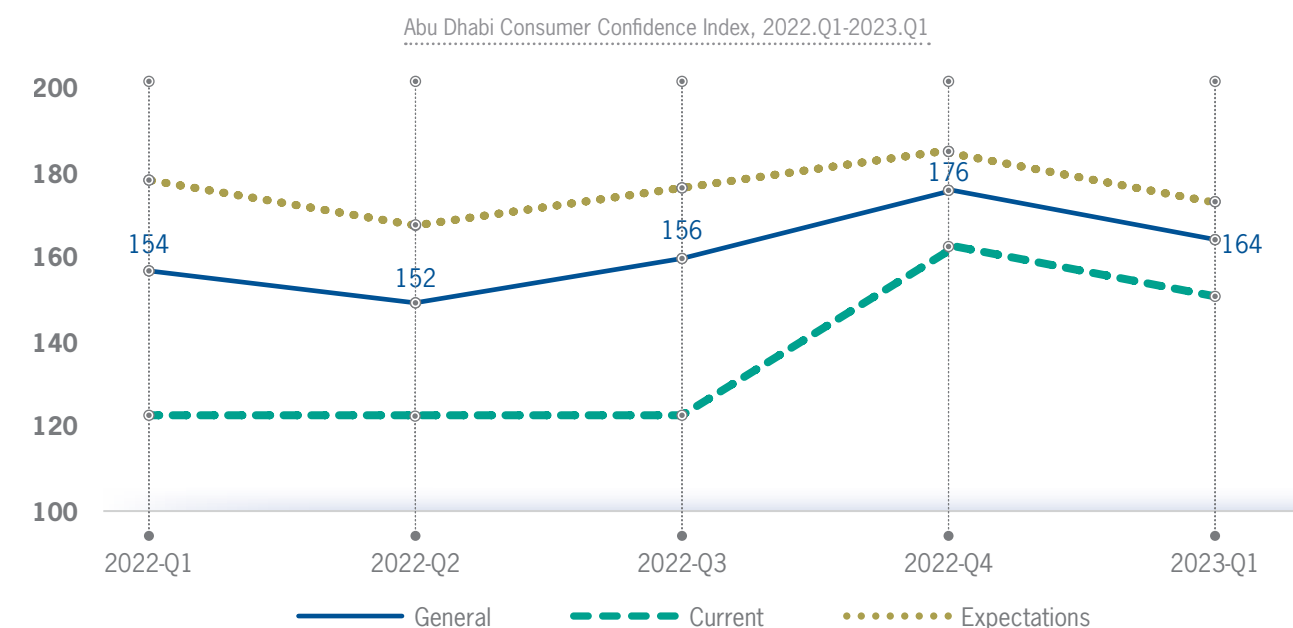
## Current Consumer Confidence Index:

Consumer optimism of the current climate decreased in value to 151 in Q1 2023 compared with 162 in Q4 2022. The CCI sample reveals that high living costs and job insecurity as main reasons for the decline in sentiment

## Expectations Consumer Confidence Index:

Consumer optimism decreased in Q1 2023 compared with Q4 2022 and fell to a value of 173 points. The CCI survey shows a drop in optimism in both future conditions and the current state. Nevertheless, the Q1 2023 value is still higher than all the readings in 2022, with the exception of Q4

As with the BCI, future sentiment is much stronger than current sentiment, although the trend for both is of convergence



Source: DED



دائرة التنمية الاقتصادية  
DEPARTMENT OF ECONOMIC DEVELOPMENT

Abu Dhabi Department of Economic Development  
Economic Strategy Sector