

Abu Dhabi Brief

Key Economic Indicators



Studies Directorate

March 2020

Contents

03

Economic
Insights

04

Global
Economy

05-10

Abu Dhabi Economy

05

Gross Domestic
Product

06

Inflation

07

Monetary
Indicators

08

Fiscal Indicators

09-10

Sentiment
Indicators



Economic Insights

Mohammed Ali Al Shorafa Al Hammadi

Chairman of the Department of Economic Development - ADDED

The year 2019 was a difficult one for the global economy, as trade policy uncertainty, geopolitical tensions, and stress in key emerging market economies continued to weigh on global economic activity, but some indications emerged toward year-end that global growth may be bottoming out and the global activity may recover in early 2020.

Nevertheless, the updated World Economic Outlook in January 2020 witnessed a downward revision of 0.1-percentage point for 2019 and 2020 and 0.2 for 2021 compared to those in the October World Economic Outlook. The downward revision primarily reflects negative indications to economic activity in a few emerging market economies.

While there have been numerous important developments in the global economy since the Beginning of 2020, the overarching topic was the development of the new coronavirus and its

Potential impact on China's and global economic growth.

The impact of the Coronavirus outbreak in China, and its spread in other countries, has added to the uncertainties surrounding global economic growth in 2020, it is expected to limit any pick-up in investment and trade, and the balance of risks to the world economy outlook appears firmly tilted to the downside during 2020.

Clearly, such global risks will have direct and indirect impacts on Abu Dhabi's economy, and the ongoing developments require continuous monitoring and assessment to gauge the implications on our Economy in 2020.

Therefore we pursuit to redouble the joint efforts with our stakeholders from government entities as well as the private sector to increase the resilience of Abu Dhabi economy towards the regional and global risks.

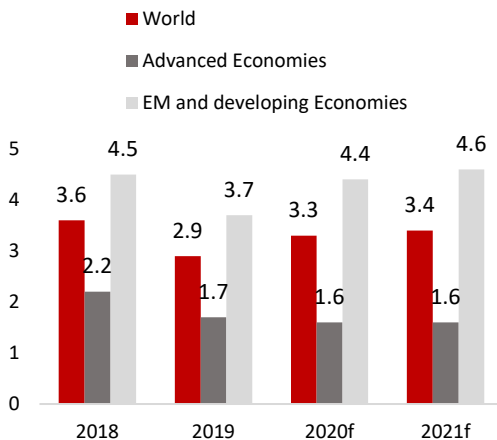
Global Economy

Global growth, estimated at 2.9 % in 2019, is projected to increase to 3.3 % in 2020 and inch up further to 3.4 % in 2021.

Compared to the October WEO forecast, the estimate for 2019 and the projection for 2020 represent 0.1 percentage point reductions for each year while that for 2021 is 0.2 percentage point lower.

The global growth path reflects a sharp decline followed by a return closer to historical averages for a group of underperforming emerging market and developing economies.

Global Economic Growth %



Source: World Economic Outlook Update, January 2020

US growth moderation reflects a return to a neutral fiscal stance and anticipated waning support from further loosening of financial conditions.

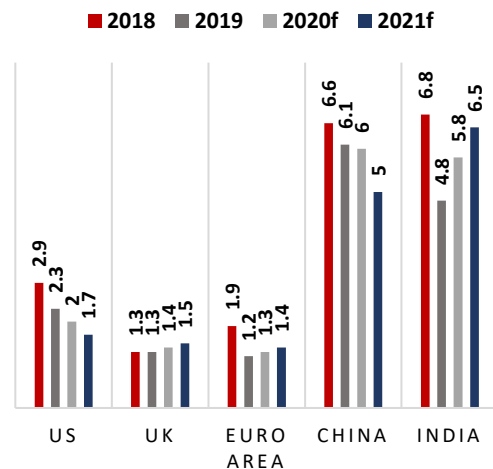
Growth in the euro area is projected to pick up to 1.4 percent in 2021, due to projected improvements in external demand.

UK growth forecast assumes an orderly exit from the European Union at the end of

January followed by a gradual transition to a new economic relationship.

Growth in emerging and developing Asia is forecasted to inch up slightly in India and to moderate in china.

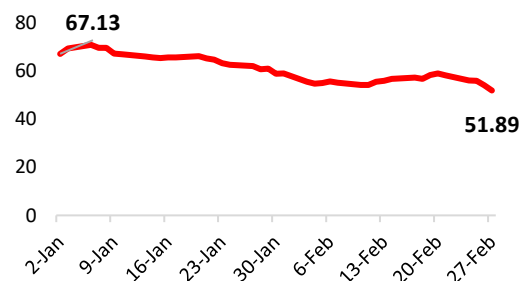
Main Economies Growth %



Source: World Economic Outlook Update, January 2020

The OPEC Reference Basket (ORB) declined from 67 dollar at the beginning of the year to less than 52 dollars by February 27th. This was on the back of concerns about the outbreak of the Coronavirus in China, as well as its spread to other countries, the risk of softening oil demand and a further weakening in refining margins, particularly in the Asia Pacific and Europe.

OPEC Reference Basket (Jan-Feb 2020) - US dollar/Barrel

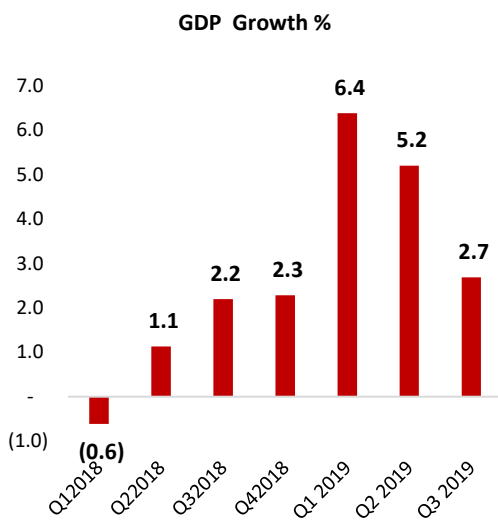


Source: OPEC, February 2020

Gross Domestic Product

Abu Dhabi economic growth picked up in the 1st quarter 2019 before slowdown in the following two quarters due to the decline of Abu Dhabi oil production growth.

Meanwhile, the non-oil sector performance improved in the 3rd quarter 2019 achieving better performance than 2nd quarter 2019.

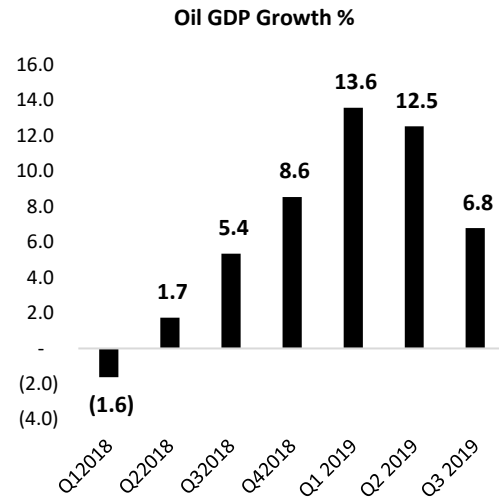


Source: SCAD

Abu Dhabi oil GDP growth witnessed steady decrease in 3rd quarter 2019 a downward of 6.8% from 12.5% in 2nd quarter 2019 due to the decline of global growth for 2019 as well as the decline of domestic demand amid a number of countries.

The production share specified to the UAE according to the agreement estimated at 3.072 Million barrels per day.

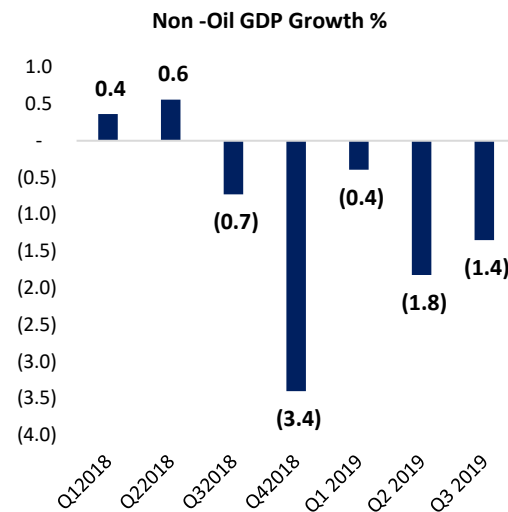
Therefore, it is expected that the Abu Dhabi oil sector growth will continue to slow in light of World economy growth in 2020, which expected to grow slowly, compared the year 2019 specific in China.



Source: SCAD

The Non-Oil GDP grew by -1.4% y-o-y in 3rd quarter 2019, up from -1.8% in the previous quarter.

The fastest growing sectors in 3rd quarter 2019 were accommodation and food services activities, which grew by 7.1% y-o-y, and Human health and social work, which increased by 5.6% y-o-y, then Transportation and storage by 5.3% y-o-y, and Electricity, gas, and water supply; waste management grew by 3.4%.



Source: SCAD

Inflation

Abu Dhabi Inflation rates increased in 2017 due to the implementation of new government fees and increasing others, which affected household disposable income and contributed to insufficient domestic demand.

In addition, with the implementation of Value-Added Tax (VAT), starting from January 2018 the inflation rates began to rise until the end of the year.

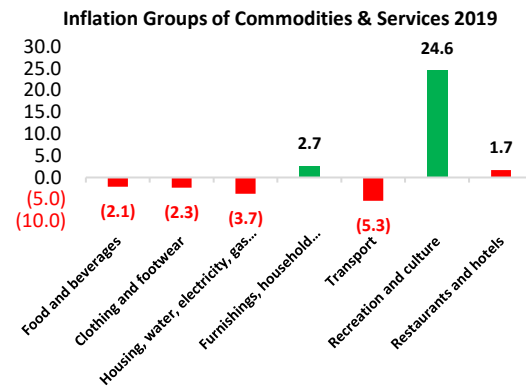
Then the inflation rates began to decline again with the beginning of 2019 due to vanish of direct and indirect impact of VAT, which confirms that inflation rates for 2018 did not reflect an actual recovery in demand but rather than the VAT effect.

Most of commodities and services groups witnessed negative inflation rates for most of the year 2019 led by Housing, Clothing and footwear, food and beverage, and transportation.

The 'Housing, water, electricity, gas and fuel' group contributed 140.7% to the overall decrease in the Consumer Price Index (CPI) during 2019 compared with 2018.

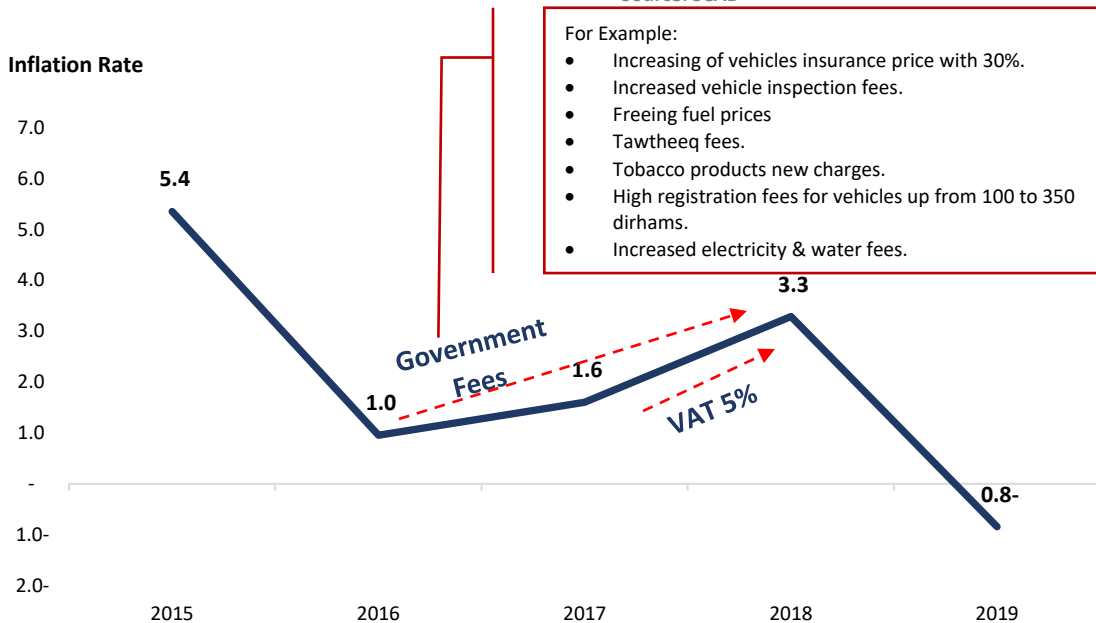
Prices of the 'Transport' group contributed 93.2% to the overall decrease.

The 'Food and beverages' group contributed by 29.6% to the overall decrease in the CPI during 2019 compared with 2018.



Source: SCAD

- For Example:
- Increasing of vehicles insurance price with 30%.
 - Increased vehicle inspection fees.
 - Freeing fuel prices
 - Tawtheeq fees.
 - Tobacco products new charges.
 - High registration fees for vehicles up from 100 to 350 dirhams.
 - Increased electricity & water fees.



Source: SCAD

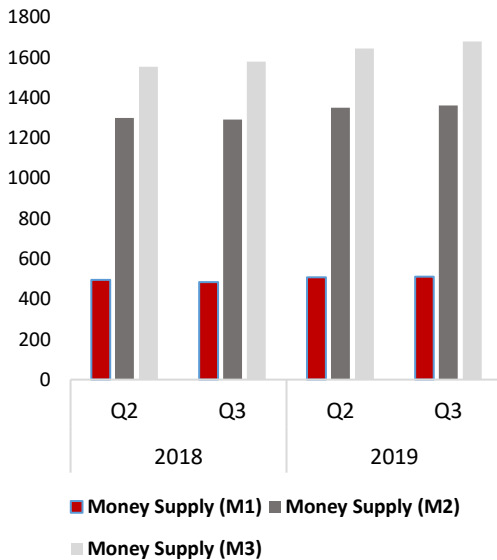
Monetary Indicators

Key Monetary Developments

Money Supply M1, which comprises Currency in Circulation outside Banks plus Monetary Deposits, improved by 0.8% during Q3/2019, compared to a 2.3% quarterly reduction during the same period last year. On an annual basis, there was a 5.7% rise in the monetary aggregate M1, reaching AED 511.9 bn.

Money Supply M2 (M1 plus Quasi Monetary Deposits (Resident Time and Savings Deposits in Dirham plus Resident Deposits in Foreign Currencies)), also increased by 0.8% during the third quarter of 2019, compared to a 0.7% quarterly drop during the same period last year. On an annual basis, there was a 5.4% increase in M2, reaching AED 1361.3 bn.

Monetary Developments in UAE Bn. Dhs



Source: Central Bank of UAE

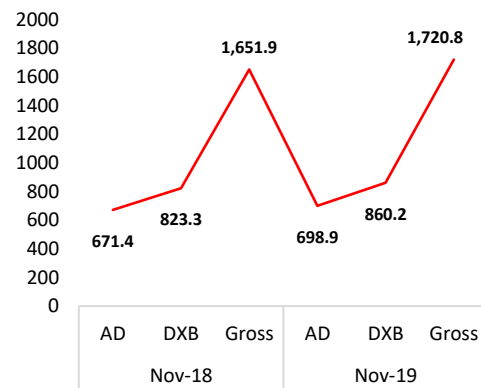
Banks Assets & Credits

At the end of the third quarter of 2019 total assets of banks operating in the UAE increased by 2.2%, touching AED 3022.7 billion, compared to the 3.2% quarterly

increase at the end of the third quarter of 2018. During the period between September 2018 and September 2019, the total assets of banks operating in the UAE increased by 6.5%.

Gross Credit in the UAE's Banking Sector grew by 4% in Nov 2019.

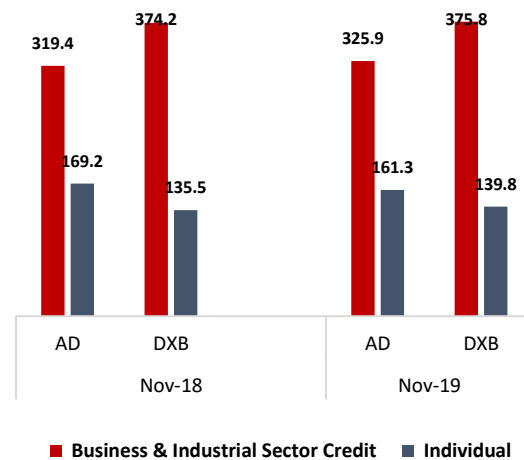
Gross Credit in UAE Bn. Dhs



Source: Central Bank of UAE

In Abu Dhabi, loans to individuals (33% of overall private sector credit) shrank by 4.7% in Nov 19 compared with a 3.2% growth in Dubai.

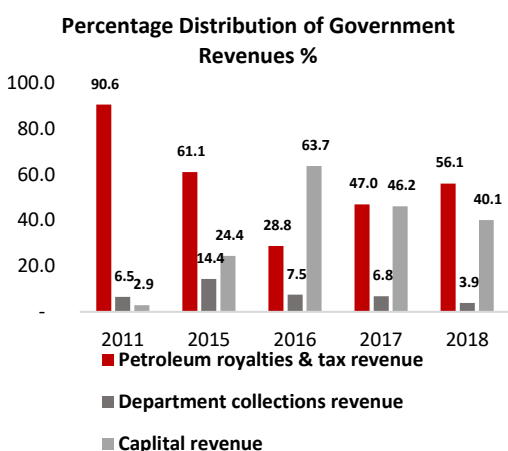
Private Sector Credit



Source: Central Bank of UAE

Fiscal Indicators

Due to the increase in petroleum revenues joined with the rise in tax revenues, Abu Dhabi's government revenues increased by 21.6% in 2018 compared with 2017. Petroleum royalties and tax revenue contributed by 56% in overall government revenue in 2018, compared with 47% in 2017. Additionally, capital revenue, which made only 2.9% of overall government revenue in 2011, has captured more than 40% in 2018.

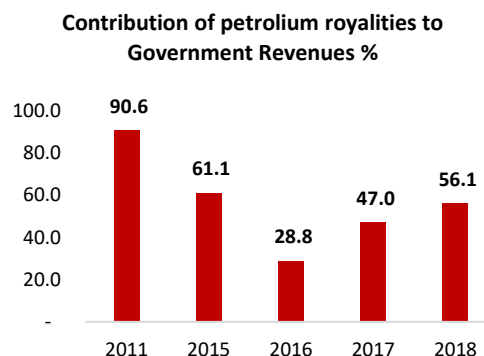


Source: SCAD

In 2018, current expenditures reached 86.3% of overall government expenditures, compared with 85.8% in 2017 and 66.2% in 2011. The influx in current expenditure over the period (2011-2018) was mainly driven by steady increase in government spending on salaries & wages and goods & services, which both witnessed an increase in their contribution to overall expenditures from 10.8% and 11.4% respectively in 2011 to 21.4% and 20.1% respectively in 2018.

On the other hand, as the largest contributor of funds to the federal government, the breakdown of Abu Dhabi government expenditure by type showed that contribution to federal government rose from 35% of overall government expenditure in 2016 to more than 39% in 2018.

Taking advantage of investor demand for high-quality debt amid concern about the US-China trade war and slowing global growth, in 2019 Abu Dhabi has issued \$10 billion multi-tranche bond that received overwhelming global investor response, reflecting the strong investor confidence in the emirate's solid credit fundamentals. The three-part transaction comprised \$3 billion due in 2024, \$3 billion due in 2029, and \$4 billion due in 2049, according to the Department of Finance Abu Dhabi. The success of the issuance is a testament of investor confidence in the Abu Dhabi emirate's economic and political stability and the strong credit story.



Source: SCAD

Historically, Abu Dhabi government has established a series of capital-management arms tasked with investing its wealth according to a range of strategies. Largest among the investment arms is the Abu Dhabi Investment Authority, which had \$683bn in assets as of 2018, according to the Sovereign Wealth Fund Institute (SWFI), making it the third-largest fund of its kind worldwide, behind Norway's Government Pension Fund Global, which had \$1trn in assets, and China Investment Corporation with \$900bn.

Sentiment Indicators ... (BCI)

The Business Confidence Indicator (BCI) increased slightly in Q4 2019 (+1.6 points up to 47.9). Driven by optimism toward Business situation appraisal and Business expectation appraisal.

Although the (BCI) index indicates continued pessimism, however most of the components of the BCI increased which mainly are production size that increased significantly (+5.7 points up from 48.2 points in 3rd quarter 2019 to 53.9 in 4th quarter 2019), stock of finished products and sales volume.

Businesses' views on employment and profits improved slightly.

While purchasing orders price of finished goods and services produced expectations and assessment decreased sharply.

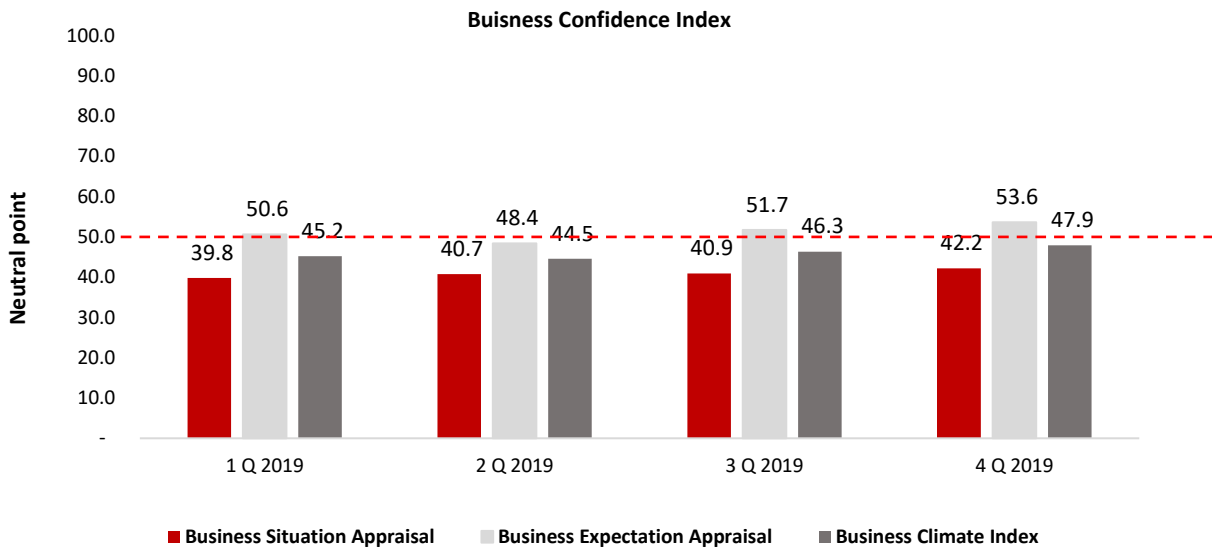
The (BCI) reflected a rise in optimism that includes both economic establishments operating in most of economic activities, which mainly are (finance, technology, communications, construction, trade, and

manufacturing), whereas the (BCI) witnessed a decline in optimism levels in Economic activities (services and transport & storage).

The Abu Dhabi Business Confidence is based on 534 quarterly survey responses from firms in manufacturing, construction, trade, financial, communication, transportation & storage and other services. Based on a probability-design random sample which is conducted for ADDED by SCAD.

The firms are asked to give their assessments of the current business situation and their expectations for the quarter ahead. They can characterize their situation as "increased/above normal". "Remained unchanged" or "decreased/below normal" and their business expectations for the quarter ahead as "increase/above normal". "Remain unchanged" or "decrease/below normal".

The business confidence is a transformed mean of the balances of the business situation and the expectations.



Source: ADDED, Planning & Statistics Sector

Sentiment Indicators ... (CCI)

The Consumer Confidence Index (CCI) increased in 4th quarter 2019, following a decrease in 3rd quarter 2019.

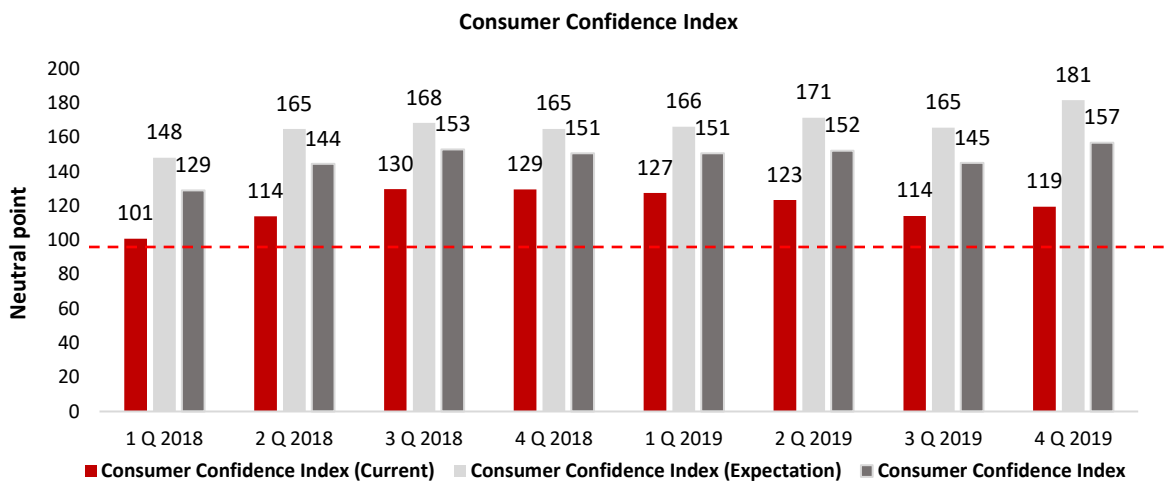
The Index in 4th quarter 2019 stands at 156.6 point up from 144.9 in 3rd quarter 2019. The Present Situation Index – based on consumer’s assessment of current economic and labor market conditions – increased from 114 to 119.4. However, the Expectations Index – based on consumer’s short-term outlook (one year ahead) for income, economic and labor market conditions – increased from 165.5 in 3rd quarter 2019 to 181.4 in 4th quarter 2019.

Consumers were more optimistic about the short-term outlook (2020). According to (CCI) survey in Nov. and Dec. 2019 The percentage of consumers expecting financial conditions will improve over the year of 2020 increased from 33.5 % in Nov. 2019 to 43.2 % in Dec. 2019, and those expecting economic conditions will improve, increased from 41.2 % in Nov. 2019 to 51.5 % in Dec 2019.

The Consumer Confidence Index for Abu Dhabi is based on 750 monthly survey responses from households based on a probability-design random sample which is conducted for ADDED by SCAD.

The consumers are asked to give their assessments of the current situation and their expectations for the year ahead. They can characterize their situation as “Better now”. “Remained the same” or “worse” and their expectations for the quarter ahead as “Better a year from now/ More Employment”. “Remain unchanged” or “worse a year from now/ less Employment”.

The Consumer Confidence is a transformed mean of the balances of the current situation and the expectations.



Source: ADDED, Planning & Statistics Sector

Studies Directorate

Abu Dhabi Brief - Key Economic Indicators

March 2020

For more information about this report, please contact the
Planning & Statistics Sector – Studies Directorate

PSEDOFFICE@ded.abudhabi.ae