UNITED ARAB EMIRATES
MINISTRY OF ECONOMY

THE ANNUAL ECONOMIC REPORT 2020

Twenty-Eighth Edition

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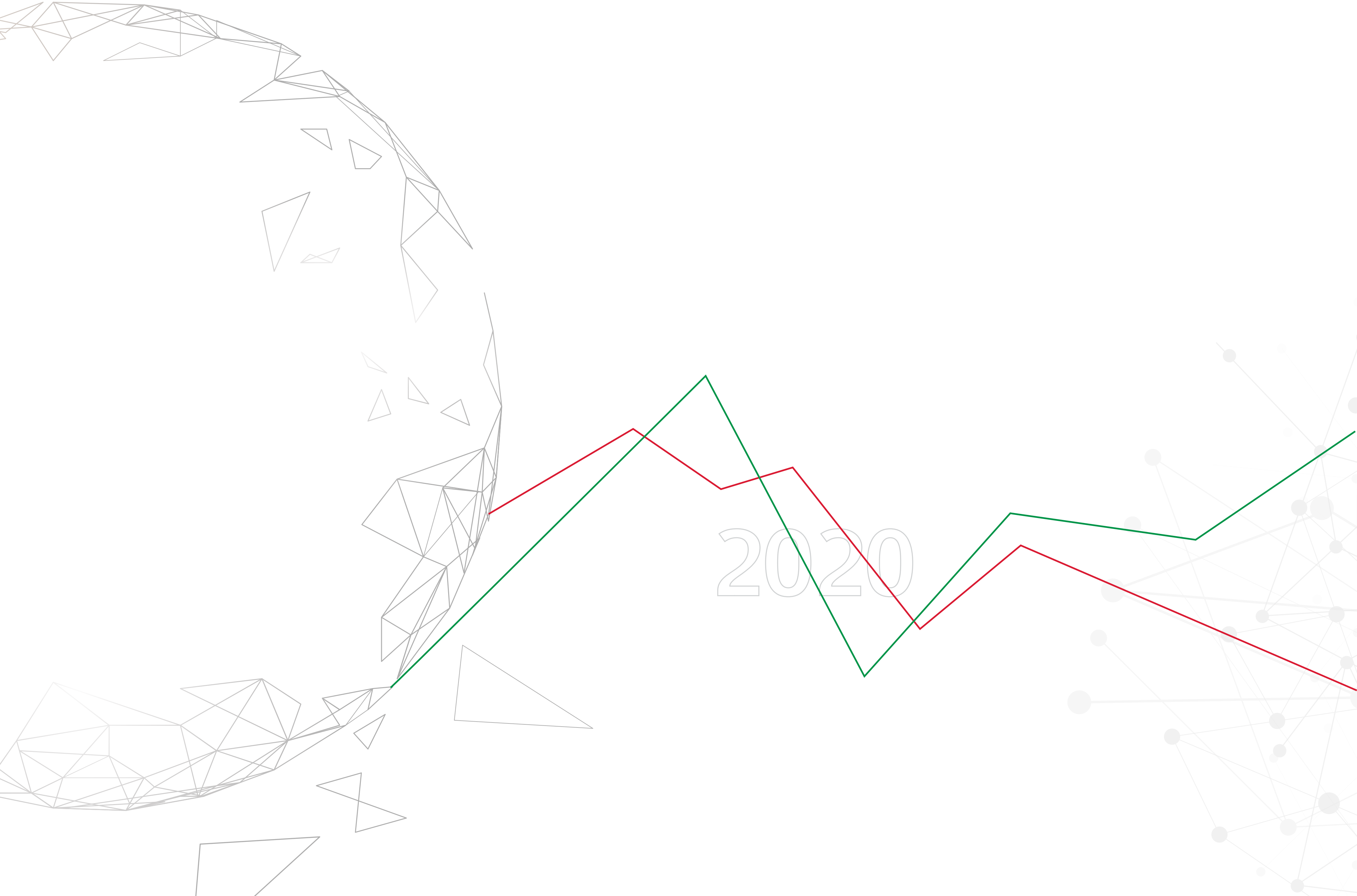

2020

Vision

To become a diversified global competitive economy based on knowledge & innovation, led by Emirati competencies.

Mission

Achieve national economy's development and competitiveness. Prepare for an environment that encourages the practice of economic businesses by enacting and modernizing economic legislations and external trade policy, developing national industries and exports, tourism development by developing its products and enhancing its quality, encouraging investment, regulating competitiveness and SME's sector, protecting consumer rights and intellectual property, supporting the efforts of cooperative societies, diversifying economic activities, popularization of smart apps. All of the above should be led by Emirati competencies in accordance with global standards of creativity and innovation and knowledge economies.

Values

Innovation: Create a positive atmosphere to help those appointed from inside and outside the ministry to transform their ideas into distinguished applicable results that serve the ministry's vision and the competitiveness of the state.

Respect of Rights: Respect employees, consumers and all categories of customers', in accordance with applicable economic legislations and established work systems.

Sustainability: Do our best to fulfill social and environmental sustainability requirements in all economic activities

Integration: Enhancing cooperation and integration aspects among economic sectors.

Competitiveness: Seek to achieve the prestigious position of our national economy both on local and international levels.

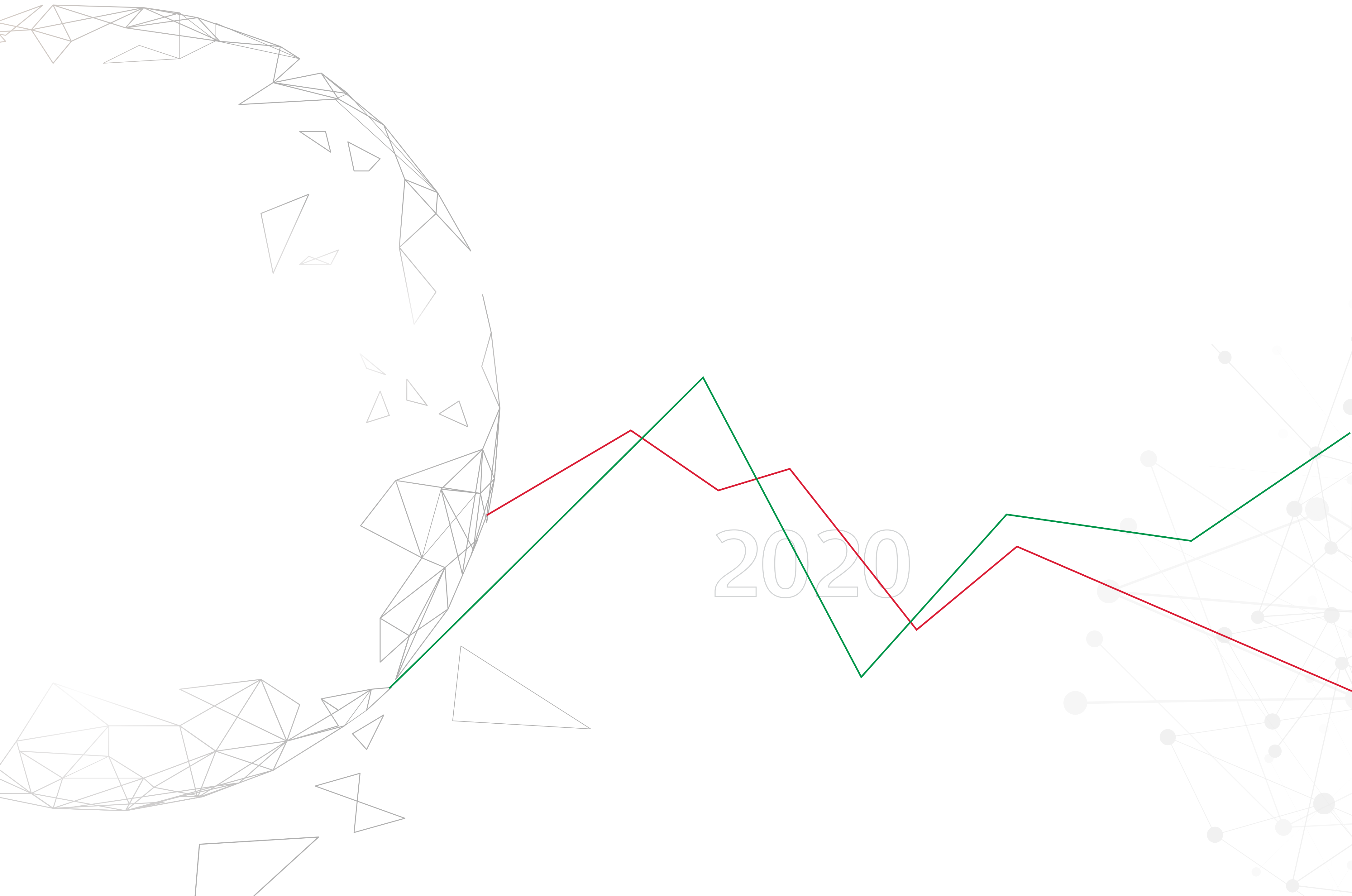
Excellence and Team Spirit: Work as one team to spread institutional excellence concept on all levels.

2020

His Highness Sheikh Khalifah Bin Zayed Al Nahyan

President of the United Arab Emirates

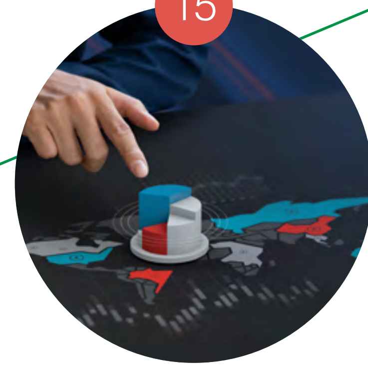
Ruler of Abu Dhabi


2020

His Highness Sheikh Mohammed bin Rashid Al Maktoum

UAE Vice President, Prime Minister and
Ruler of Dubai

Content



HIS EXCELLENCY DR. THANI BIN AHMED AL ZEYOUDI

Minister of State for Foreign Trade

HIS EXCELLENCY ABDULLA BIN TOUQ AL MARI

Cabinet Member and Minister of Economy

HIS EXCELLENCY DR. AHMAD BIN ABDULLAH HUMAID BELHOUL AL FALASI

Minister of State for Entrepreneurship and Small and Medium Enterprises

THE SPEECH OF H. E. THE MINISTER

The year 2020 marked an exceptional year full of changes for the world's economies as a result of the implications of the spread of the "Covid-19" pandemic. The countries of the world adopted multiple plans and strategies to deal with the repercussions of this pandemic on its economic systems.

Our national economy has proven its ability to overcome regional and global economic crises over the past decades, and its effective handling of various economic variables and challenges. There is no doubt that the high resilience and capacity of our national economy is a result of the achievements and developments of the country's economy over the past years, thanks to the support and guidance of the wise leadership, as the components of global diversity, sustainability and competitiveness were strengthened in accordance with the principles of innovation and knowledge, supported by highly efficient governmental policies whether in economic, financial or monetary aspects, In addition to the strength of the private sector in the country and the development witnessed by the entrepreneurship and SME's sector, as well as the outstanding level of leadership of the national and foreign companies operating in the state's markets, their high ability to adapt and develop business mechanisms and models, and the country's prestigious position as a regional and global center for commerce and business, investment and tourism.

The UAE has succeeded in being one of the fastest countries in the region in adopting a systematic response to the crisis, as it focused on taking quick measures, launching multiple economic packages, and developing integrated plans and strategies not only to deal with the immediate effects of the pandemic on the economy and business activities, but to enhance the economy's ability to adaptation and transitioning towards a more flexible, and sustainable model, and building a long-term development path that is based on employing innovation, advanced technology and new economic sectors as engines for future development.

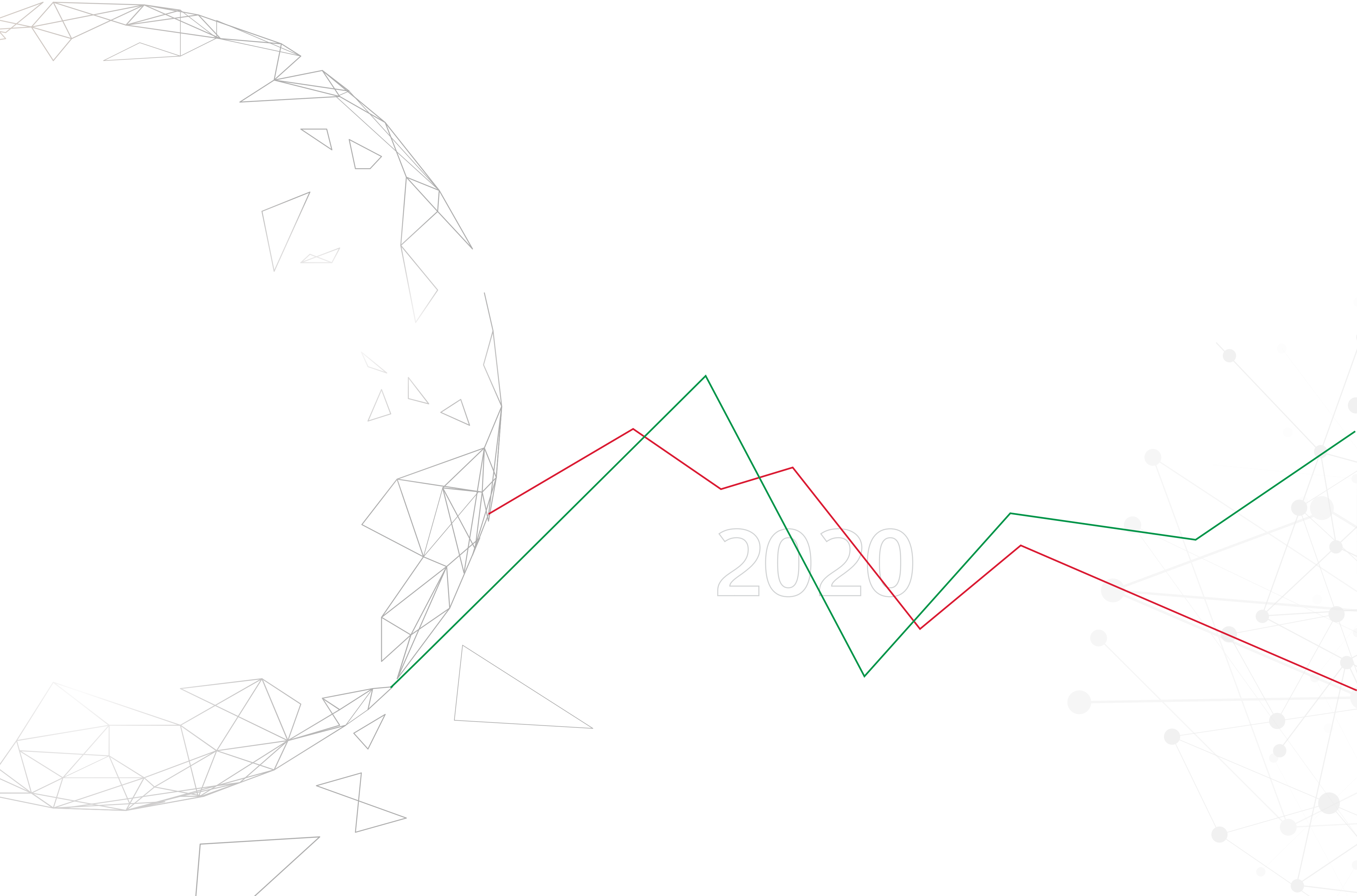
The UAE government has adopted an integrated and flexible plan for economic recovery and advancement led by the Ministry of Economy in cooperation with many partners from federal and local government agencies and in partnership with the private sector, and it consists of a large package of initiatives according to three main phases, The total value of economic support packages and initiatives provided by the federal government and local governments amounted to more than AED 388 billion, which contributed to business continuity, increased the momentum of commercial activities, and strengthened their ability to grow and compete in various vital sectors.

There is no doubt that the government's efforts are continuing to support the economy and increase its competitiveness and flexibility. Many global indicators have monitored these efforts, most notably the Global Economic Recovery Index recently issued by the Horizon Research Group, in which the UAE ranked first in the Arab world, and ranked advanced globally over many Sub-indicators related to economic recovery and sustainable development.

And based on the Ministry of Economy's keenness to enhance the knowledge of the government, private and academic sectors and all stakeholders of the most important economic developments, we are pleased to put in your hands the annual economic report for the year 2020, which provides an integrated presentation of economic indicators, especially macroeconomic indicators, globally, regionally and nationally in the UAE, with a detailed look at the state's response and its strategy to protect and support the economy in light of the effects of the Covid 19 pandemic - We hope that this report will represent an important knowledge addition that sheds light on the most important economic issues of concern and meets the need of the business sector and contributes to strengthening the decision-making process and anticipating the future to develop appropriate plans to fulfill our aspirations for development and prosperity.

H.E. Abdulla Bin Touq Al Marri

Minister of Economy


2020

01

First: World, Arab and The Gulf Economic Situation

01 World Economic Situation

Global Economic Growth

Following a 2.8% global growth in 2019, this growth is expected to drop to -4.4% in 2020, and then recover again to 5.2% in 2021 (according to IMF estimates, October 2020). This decline in global growth during 2020 was caused by the Covid-19 pandemic and its subsequent large public closures in April 2020. The weak growth prospects in the medium term come accompanied by a significant increase in the sovereign debt stock and a contraction of the tax base, which compounds the difficulties resulting from the debt service obligations. An Atmosphere of uncertainty dominates global growth prospects, and this uncertainty is a reflection of the magnitude of the global repercussions of the decline in demand, weak tourism, lower remittances from offshores workers, and the mood of financial markets and their implications on global capital flows. Growth projections point out to large negative output gaps and an increase in unemployment rates during 2020 and 2021 across both advanced and emerging market economies. Policies and measures should be adopted for supporting the economy, such as investing in health, education and high-return infrastructure projects that can help transform the economy into a low-carbon economy; spending on research, which leads to facilitating innovation and adoption of technology, which are the two main drivers of long-term productivity growth; and protecting essential social spending. Furthermore, extending the maturity of public debt and ensuring as-much-as-possible low and fixed interest rates will help reduce debt service and free up resources so as to redirect them into the efforts aimed at mitigating the crisis. Governments may also need to consider raising progressive taxes on wealthier individuals and those relatively less affected by the crisis, make some changes on the corporate tax to ensure that companies pay taxes commensurate with their profitability, and develop an international corporate tax system that keeps pace with the challenges of the digital economy.

World trade and investment

Global flows of foreign direct investment underwent to great pressure during 2020 due to the Covid-19 pandemic, and these vital resources are expected to drop sharply to go below the 2019 levels, which recorded to $ 1.5 trillion. The most severe impact would be on flows to developing countries, because export-oriented investments related to basic commodities are among the worst affected.

Global foreign direct investment flows are expected to decrease in 2020 by up to 40% of their of $ 1.54 trillion value, leading to a decline in foreign direct investment to less than a trillion dollars for the first time since 2005. In 2021, direct foreign investment is expected to decline by further 5% to 10%, before recovering in 2022.

The consequences will not be limited to investment flows, but will also create a structural transformation in the international production, under the Covid-19 pandemic, and an opportunity to increase sustainability.

This outlook is dependent on the how long the health crisis will last and how efficient the policy-related interventions are in mitigating the economic impacts of the pandemic. The state of uncertainty is heightened by the geopolitical and financial risks and the continuing trade tensions.

Developing economies are witnessing the deepest decline in foreign direct investment because they are more reliant on investment in industries that have highly global value chains as well as in extractive industries, which have been severely affected, and because they cannot take the same economic support measures taken by advanced economies. Foreign direct investment inflows to Europe, in developed countries, are expected to decrease by 30% to 45%, against a much greater decline in the size of inflows to North America and other advanced economies.

FDI inflows to Africa are expected to shrink by between 25% to 40 % in 2020, due to the decline in the prices of basic commodities, while FDI investment in Latin America and the Caribbean is expected to halve in 2020. Similarly, FDI inflows to the economies in transition are expected to decline by between 30% and 45%.

Table 01 FDI Flows **2017 – 2019**

USD Billion

Region	FDI Inflows			FDI Outflows		
	2017	2018	2019	2017	2018	2019
World	1700	1495	1540	1601	986	1314
Advanced economies	950	761	800	1095	534	917
Europe	570	364	429	539	419	475
North America	304	297	297	379	-41	202
Developing economies	701	699	685	467	415	373

USD Billion

Region	FDI Inflows			FDI Outflows		
	2017	2018	2019	2017	2018	2019
Africa	42	51	45	12	8	5
Asia	502	499	474	417	407	328
East and Southeast Asia	422	416	389	367	345	280
South Asia	52	52	57	11	12	12
West Asia	28	30	28	39	50	36
Latin America and the Caribbean	156	149	164	38	0,1	42
Oceania	1	1	1	0,1	-0,3	-1
Economies in Transition	50	35	55	38	38	24
Weak, structurally fragile and small economies	40	39	39	6	2	0,4
Less developed countries	21	22	21	2	1	-1
Land-locked developing countries	26	22	22	4	1	0,5
Small island developing countries	4	4	4	0,3	0,3	1

Global trade growth is expected to weaken significantly as the global trade is expected to contract by more than 10 % in 2020 with the decline of demand on capital goods and consumer durables. The expected decline in trade volumes largely reflects weak final demand from global consumers and businesses. Global trade volume is expected to grow by about 8 % in 2021 and by a bit over 4 % on average in the subsequent years. The weak trade volume also reflects, in part, potential shifts in supply chains as companies re-support production to reduce vulnerabilities caused by dependence on foreign producers. In Asia, trade will drop by 4.5% for exports and 4.4% for imports in 2020, which is lower than in other regions of the world. As the USA is challenging China in security, trade and technology issues, all countries are expected to suffer significant declines in exports and imports. In addition, oil-exporting countries have suffered a severe shock in terms of trade exchange as a result of the lower oil prices and facing more difficult external expectations.

Inflation rates

Despite the rise in the prices of materials like medical supplies and the rise in commodity prices in line with the Covid-19 pandemic, the effects of weak aggregate demand have outweighed the impact of supply disruptions. Inflation in advanced economies remained below pre-pandemic levels, while in emerging and developing markets, even though economies inflation fell sharply in the early stages of the epidemic, it has rebounded since then in some countries such as India, reflecting supply disruptions and rising food prices.

In the second quarter, year-on-year inflation remained well below the target rate of 2% in developed countries, with 6.0% in the USA and the UK, 2.0% in the Euro Zone, and 1.0% in Japan. (This reflects the weak demand, coupled with the effects of lower oil prices, which offsets increased cost-driven pressures due to insufficient supply of goods and services).

Inflation in the advanced economies group is expected to reach 0.8% in 2020, rise to 1.6% in 2021, and broadly stabilize thereafter at 1.9%. In the emerging markets and developing economies group, inflation is expected to reach 5 % this year, down to 4.7 % next year, and then decline to 4 % in the medium term; below the group's historical average. Emerging market economies witnessed a year-on-year drop in inflation by 2.1 percentage points as measured by the

consumer price indicator, CPI, to record 2.4%.

Pressures in the direction of lower prices stemmed from the loss of income, as these economies lost access to export and tourism markets, and generally lacked appropriate social safety nets to support demand. Price pressures may increase, due to the release of pent-up demand as consumers' increase their spending on goods that they have been forced to delay due to lockdowns and movement restrictions. It could also increase due to higher production costs because of ongoing supply disruptions. The credibility of monetary policy frameworks could also influence price developments, as this credibility could be affected when central banks are viewed to run monetary policy aimed at keeping government borrowing costs low rather than ensuring price stability ("financial dominance"). In these contexts, inflation expectations can increase very quickly once governments begin to face large fiscal deficits, as it is the balance between these forces that will affect demand. These force include the continuous increase in consumers' precautionary saving as a result of a higher risk of unemployment and disease, the transfers of purchasing power to less spending-inclined lenders as borrowers service the higher debt incurred during the pandemic, and the concerns about the limits of monetary policy's ability to stimulate demand (especially in advanced economies), which would lead to lower inflation expectations and reduced inflation.

Advanced Economies

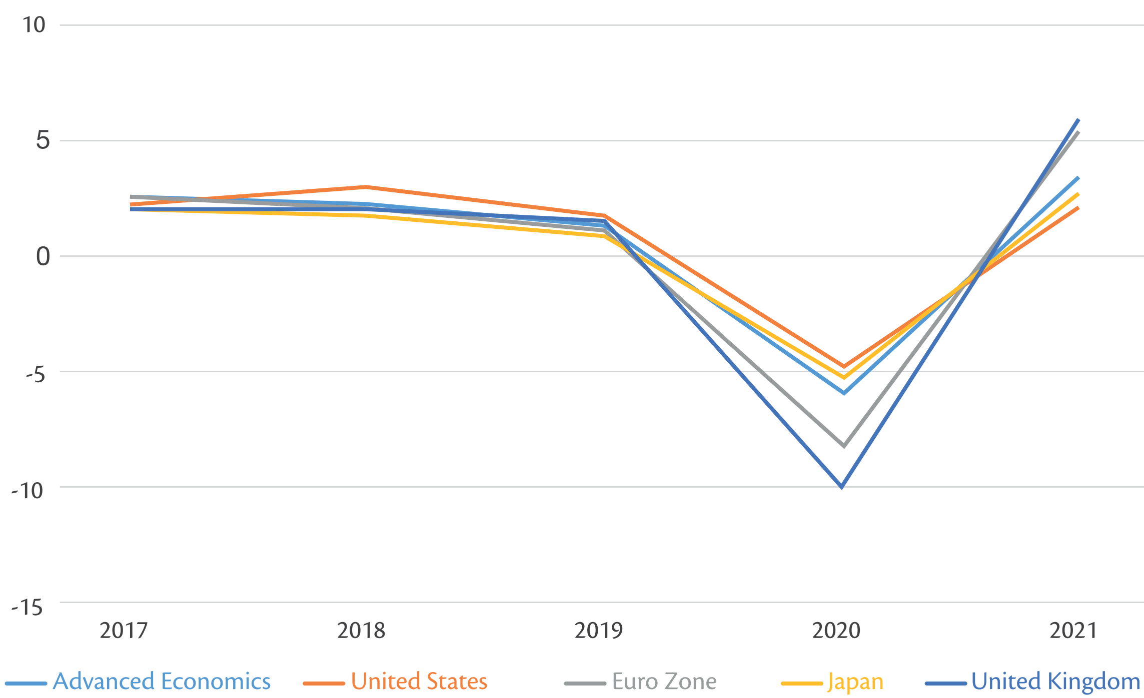
Economic growth in advanced economies is expected to decline to -5.8% in 2020 and then rise again to 3.9% in 2021, according to IMF estimates - October 2020. The US economy is expected to shrink by 4.3 %, before growing by 3.1 % in 2021, due to the escalating risks associated with the pandemic, the political crisis in the US Congress over financial stimulus, and uncertainty about the presidential elections, in addition to the risks associated with escalating tensions between The United States and China. A deeper contraction of 8.3 % is expected in the Euro Zone in 2020, reflecting a decline sharper than the one witnessed the US during the first half of the year, to be followed again by an expected 5.2 % recovery of growth in the Euro Zone in 2021, given that European economies depend heavily on tourism and manufacturing exports, which have almost stopped with the worsening pandemic and the tightening of restrictions on cross-border movements. Advanced Asian economies are expected to experience a somewhat milder slowdown than those of Europe, in light of the more contained outbreak of the epidemic, which is also reflected in smaller drops in GDP during the first half of 2020.

Table 02 Real GDP Annual growth rate in advanced economies (%)

State	2017	2018	2019	2020	2021
Advanced economies	2.4	2.2	1.7	-5.8	3.9
USA	2.3	2.9	2.2	-4.3	3.1
Euro zone	2.4	1.8	1.3	-8.3	5.2
Japan	1.7	0.8	0.7	-5.3	2.3
UK	1.7	1.4	1.5	-9.8	5.9

Source: IMF (International Monetary Fund)

Figure 01 Real GDP Annual growth rate in advanced economies **(%)**



Source: IMF (International Monetary Fund)

Economies of Emerging and Developing Markets

Growth of emerging markets and developing economies is expected to reach -3.3% in 2020, and rise again to 6% in 2021. The prospects for China are much stronger than most other countries in the group, with the economy expected to grow by about 10% during 2020 -2021 (1.9% this year and 8.2% next year) as activity has returned to normal faster than expected after reopening most of the state in early April. The second-quarter GDP recorded an increase due to strong policies' support and resilient exports. For many emerging market and developing economies, except for China, the outlook remains precarious, due to a range of factors including: The continuing spread of the epidemic; the overstretched healthcare systems; the vital importance for hard-hit sectors, such as tourism; and the heavy reliance on external financing, including remittances. All emerging market and developing economies are expected to contract this year, including emerging Asia in particular, as large economies, such as India and Indonesia, continue to try to control the epidemic. India's GDP contracted more dramatically than expected in the second quarter and is expected, as a result, to contract by 10.3% in 2020, before recovering by 8.8% in 2021. The differences also remain significant, as many Latin American countries- heavily-hit by the pandemic suffer greatly deep declines. A significant decrease in production is

also expected in many countries in the Middle East, Central Asia and oil-exporting countries in Sub-Saharan Africa affected by the drop in oil prices, civil unrest and economic crises. Growth in the group of emerging market and developing economies is expected to be negative, as some of these economies have been severely affected by the pandemic due to weak public health systems, chronic economic vulnerabilities, and limited fiscal and monetary space, which limited the scope of public policy response. Therefore, the lower contraction compared to the advanced economies is mainly attributed to positive growth in China, which has recovered faster than expected.

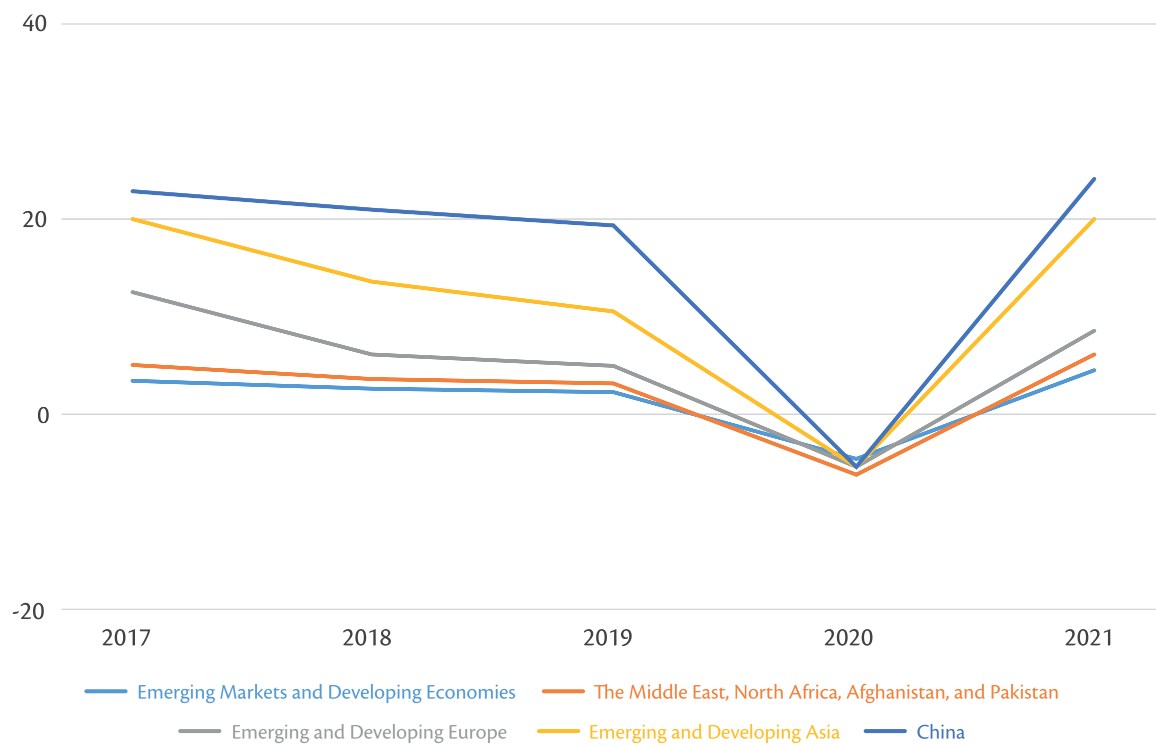
Table 03 Real GDP Annual growth rate in emerging markets and developing economies (%)

State	2017	2018	2019	2020	2021
Emerging markets and developing economies	4.7	4.5	3.7	-3.3	6.0
The Middle East, North Africa, Afghanistan, and Pakistan	2.2	1.8	1.4	-4.1	3.0
Emerging and developing Europe	5.9	3.6	2.1	-4.6	3.9
Emerging and developing Asia	6.5	6.4	5.5	-1.7	8.0
China	6.9	6.6	6.1	1.9	8.2

Source: IMF

02 Arab economic situations[1]

Figure 02 Real GDP Annual growth rate in emerging markets and developing economies (%)



Economic Growth

The Coronavirus pandemic has caused a tremendous global shock that has led to a severe recession in many countries, which resulted in an unprecedented decline in the levels of production, consumption, investment and trade. World Bank forecasts in June 2020 (baseline scenario) indicate a contraction of 5.2% of global GDP in 2020, which is the most severe recession the world has witnessed in decades. The average of income per capita will decline in most emerging market and developing economies in 2020. Moreover, Economic activity in advanced economies is expected to contract by 7 % in 2020 due to severe disruptions that hit domestic supply and demand, trade, and finance. Meanwhile, projections indicate that the economies of developing countries and emerging market economies will experience a contraction of 2.5 %, which is the first contraction they experience as a group in at least 60 years. The average income per capita is expected to decrease by 3.6 %.

Amidst of these developments, Arab economies are faced by multidimensional challenges that will lead to a decrease in the levels of activity in both the oil and non-oil sectors. Accordingly, GDP in Arab states is expected to contract by nearly 4 % in 2020; on the oth

[1]Source: World Bank, Arab Monetary Fund.

er hand, a gradual recovery is expected in 2021, with expectations of growth in Arab economies by 2.6 %.

The impact of the crisis is expected to be more severe on oil-exporting Arab economies, as they are expected to record a contraction of 4.7 % during 2020, while less contraction is expected in Arab oil-importing economies, as their GDP is expected to record a 2.0 % decline in 2020.

According to the World Bank database, Arab economies witnessed a significant increase, by 1.48%, in the real GDP growth rate (2010 base year) in 2019 compared to 2018, rising from USD 2.71 trillion in 2018 to USD 2.75 trillion in 2019, while The value of the Arab GDP at current prices in 2019 is estimated at about USD 2.82 trillion, compared to USD 2.77 trillion in 2018, with a growth of 1.8%.

Average GDP per capita in the Arab world

According to the World Bank database, the population of the Arab world increased from about 419.8 million in 2018 to about 427.9 million in 2019, and the GDP of the Arab states combined at current prices increased to about USD 2.82 trillion in 2019. Accordingly, and it is estimated that the average share of the Arab citizen from the Arab GDP in 2019 is about USD 6585, with significant variations among Arab states in this regard. This comes as a result of the relative recovery in oil revenues, the development of growth in non-oil sectors of oil-producing countries, and the economic growth of Arab states which was affected

by this, in addition to the improved growth in the Arab oil-importing countries as a result of the reform programs they are following.

Inflation

The year 2019 witnessed a continued decline in the rate of inflation in the Arab states, reaching about 5 %, compared to about 9.4 % in 2018. This is due to the decline in domestic demand in some countries, changes in international prices of oil and raw materials, and the gradual decline of inflation pressures resulting from financial reform measures that have been implemented by some Arab states during the past two years. On the other hand, inflation rate was affected by the internal developments that influenced the levels of goods and services supplies in some Arab states, and by the agricultural production that was affected by the climatic conditions in other Arab states. Inflation rates in 2020 are also expected to be affected by the repercussions of the Coronavirus on the levels of supply and demand, and by the decline in global oil prices. Inflationary pressures are also expected to appear during 2021 in light of the expected recovery of the global and domestic demand and the global oil prices.

Arab Budgets

The general fiscal conditions in the Arab states as one integrated group recorded a tangible improvement in 2019 within the framework of economic reform programs, under which the combined budget deficit to GDP ratio continued its downward direction to reach 3.4 %. Contrastingly, the combined Arab states' budget deficit to GDP ratio is expected to double in

2020, reflecting the expected decline in receipts of tax and oil revenues, at a time when public expenditures are getting higher for encountering the implications of the Coronavirus outbreak, and for the financing of the stimulus spending packages adopted by Arab states. The deficit, however, is expected to resume its downward course in 2021, enabling the implementation of fiscal discipline programs adopted by Arab states on the medium term.

In light of the economic developments related to the Coronavirus, accommodative trends dominated the monetary policy position (measured by changes in official interest rates), which declined during the first quarter of 2020 between 1.5 to 3 percentage points in a number of Arab states. This came in line with the US Federal Reserve Board's decisions, aimed at mitigating the repercussions of the Coronavirus on the rates of credit, in addition to the adoption of stimulus packages and a number of monetary policy tools by the governments of Arab states, represented by central banks and ministries of finance, to ensure the provision of adequate liquidity and supporting the financial sector.

Arab Foreign Trade

The volume of foreign trade of the goods and services of the Arab states group amounted to about USD 2,425 billion during the year 2019, of which exports accounted for about 52% of the total value of USD 1,273 billion, with a decline of 3.5% compared to 2018, while imports accounted for about 48% of the total goods and services trade of Arab States with a total of USD 1,152 billion and an annual growth rate of 4.1% compared to 2018, according to the World Bank database.

The contribution of Arab states' imports of goods and services to GDP increased from 39.2% in 2018 to of 39.6%, while the contribution of Arab states' exports of goods and services to GDP decreased from 47.1% in 2018 to 44.3%.

Arab Unemployment

The problem of unemployment is one of the most important economic and social challenges facing Arab states, and the expansion of this economic phenomenon is on the increase in correspondence the outbreak of the Coronavirus and its subsequent closures of various sectors and the suspension of a large proportion of workers. According to the survey report on the economic and social developments in the Arab Region issued by the United Nations Economic and Social Commission for Western Asia (ESCWA)[2], the

[2] https://publications.unescwa.org/projects/escwa-survey/index-ar.html#\33

unemployment rates in the Arab region is expected to increase to 12.5% in 2021, recording the highest in Palestine (31%), then in Libya (22%), followed by Tunisia and Jordan (21%), under tightening pressure on the global economy as a result of the Coronavirus-related closures.

Under these difficult economic conditions, the Arab region has to respond to many social challenges, such as the spread of poverty and unemployment, and the persistence of gender inequality in all its aspects; all of which are challenges that have exacerbated with the outbreak of the Coronavirus pandemic and the accompanying strict restrictions enforced by the closure. It is estimated that the income poverty rate increased by more than 3 percentage points in 2020 to reach 32.4 %, which reflects 115 million people, more than 80 % of whom live in four countries: The Syrian Arab Republic, Sudan, Egypt, and Yemen. It is also estimated that the unemployment rate in the region will rise by 1.2 % in 2020, and the continuation of these problems depends on the restoration of the aid and remittances flows in 2021, as well as on the governments' ability to provide social safety nets to alleviate the effects of poverty.

Social and economic challenges are also affecting migrant workers, refugees and internally displaced people in the region, especially women, and travel restrictions and poor working conditions will expose migrant workers to various risks, including infection with Coronavirus. In addition, the tightening economic situation in host communities will worsen the harsh living conditions of refugees and internally displaced people.

The World Bank and International Labor Organization database also indicates a slight decrease in the unemployment rates in the total workforce of the Arab states; from 10.56% in 2018 to 10.34% in 2019, which is almost double the global average of 5.4%. Unemployment is centered in the youth societal category, which falls under the (15-24) workforce age group that reached about 27.17% in 2019, with a slight decrease compared to 27.66% in 2018. Among the most important causes of the high rates of Arab unemployment is the high and continuously growing number of the Arab workforce entering the labor market annually, the inability of the Arab economies to provide adequate job opportunities to cope with them, and the inability of those graduates entering the labor market to meet and adapt to the requirements of the labor markets, as well as the structure of labor markets and the work climate where there is a preference for the conditions of working in the government and the public sector over the private sector, the commonly-spread work in the informal sector, and the difficulty of establishing enterprises.

In order to avoid the unemployment problem, which is one of the biggest challenges facing Arab economies, Arab states must work to continue strategies to diversify the economy, implement institutional reforms to increase the dynamism and flexibility of labor markets and products, increase financing opportunities for youth, and benefit from the acceleration of financial technologies, in addition to increasing women's participation in the labor market and adopting more flexible work arrangements by taking advantage of technological developments, as well as raising the quality of education and directing educational policies towards the dynamic fields more in demand in the job arena, and thinking of initiatives to support Arab and regional integration.

03 The Gulf Economic Situations

Arab Indebtedness

The mounting global indebtedness and the increasing levels of financial fragility are among the most important risks facing the global economy at the present time, and the seriousness of the problem of global debt accumulation lies in the unprecedented rise in the indebtedness of the non-financial sector, especially in emerging market economies, where the debt of the non-financial sector has doubled in comparison with the levels recorded in 2008, at a time when debt quality levels have declined threatening of increased financial risks and sharp fluctuations in financial markets and asset prices.

The International Monetary Fund expects that the average government debt to GDP will reach 65% during 2020, while it was 55% in 2019. According to Forbes, the 5 most heavily indebted countries around the world are Sudan (295%), followed by Japan (251%), Greece (201%), Lebanon (162%) and Eritrea (161%).

According to the annual report of the Arab Investment and Export Credit Guarantee Corporation for the year 2019, the indicators of the total external indebtedness of the Arab states witnessed a relative stability around the safe borders in half of the Arab states, as the index of external debt to GDP remained below the 50% in 8 Arab states, despite the decline in this index performance in 10 Arab states.

During 2019, the states of the Gulf Cooperation Council (GCC) continued their march towards realizing economic visions and strategies, and moved forward with the policies aimed at diversifying economic activity and transforming into a diversified knowledge-based economy led by the private sector, which is considered one of the top priorities of the GCC states. To achieve this goal, the GCC states forged ahead in diversifying non-oil exports; continuing its efforts to attract foreign direct investment, especially in non-oil sectors, through ongoing reforms in the legislative environment; providing incentives to investors; facilitating foreign ownership of companies, in addition to reforming the business environment.

In 2020, despite the economic and health crisis brought by the Covid-19 pandemic and the accompanying closures and restrictions of the economic movement for containing the virus, the Economic Cooperation Council States have effectively handled this crisis by taking the necessary precautionary measures and actions to contain the health crisis, and launching financial incentive initiatives and packages to mitigate the economic impact on affected economic sectors, small and medium enterprises and employment.

Economic Growth

Influenced by the slowdown in global economic growth, economic growth in the GCC State's economies slowed in 2019 to reach 0.7%, compared to a growth of 1.9% in 2018. This slowdown in growth during 2019 was due to the decline in the oil production quantities in a number of the Gulf States in adherence with the "OPEC +" agreement. On the other hand, the strong growth in non-oil output continued to reach 2.4% in 2019, compared to 1.7% in 2018, supported by higher capital investments and an improvement in the business environment; a reflection of the policies and efforts of the GCC states within the framework its economic diversification processes and its pursuit of achieving global competitiveness and economic visions and strategies. The estimates of international organizations such as the World Bank and the International Monetary Fund indicate that the economic growth of the (GCC) group is expected to contract by about -6.0% in 2020, affected by the double shock of the Covid-19 pandemic repercussions and the accompanying economic closures on the one hand, and the crisis of collapse in global oil prices, and the associated cuts in oil production on the other hand. In 2021, the economic activity of the GCC states is expected to recover, supported by fiscal and monetary policies, with a growth rate of about 2.3% in GDP.

Table 04 Real GDP growth rate of GCC States (2019- 2022), (%)

State	2019	*2020	*2021	*2022
UAE	1.7	-6.3	1.2	2.5
KSA	0.3	-5.4	2.0	2.2
QATAR	1.4	-2.0	3.0	3.0
OMAN	-0.8	-9.4	0.5	7.9
KUWAIT	0.4	-7.9	1.0	2.9
BAHRAIN	1.8	-5.2	2.2	2.5

Source: International Bank

*Estimates

Inflation Rates

The general price level of the (GCC) group declined by -1.5% in 2019 compared to its level in 2018, affected by the decline in domestic demand, and the eased inflationary pressures resulting from the implementation of financial reforms such as reforming subsidy systems and applying selective tax and value-added tax. According to the estimates of the International Monetary Fund, price levels are expected to record a modest inflation rate in 2020 that does not exceed 1.5%, reflecting the decline in demand levels affected by the repercussions of the Covid-19 pandemic. In 2021, with the expected return of economic life and demand levels to normal and the recovery of economic activity, the inflation rate of the GCC group will reach 2.9%.

Fiscal and external accounts

The GCC states' balance of fiscal account maintained a relatively low deficit of -2.0% of GDP in 2019, compared to a deficit of -1.5% of GDP in 2018. This good performance of the public fiscal accounts came as a result of policies and programs of fiscal discipline and reform that the GCC states were keen to adopt in recent years, in addition to the policy of diversifying public revenues, which helped supplement their budgets with non-oil revenues. In 2020, affected by the shock of the sharp decline in oil prices on the one hand, and the launch of fiscal stimulus packages to face the repercussions of the Covid-19 pandemic on economic growth on the other hand, the deficit in the fiscal account is expected to increase to reach -9.2% GDP of the GCC Group.

Reflecting the global economic and trade conditions and the changes in global oil prices, the GCC states' current account surplus decreased to 5.8% of GDP in 2019, compared to a surplus of 8.6% of GDP in 2018. In 2020, the current account is expected to register a deficit of -1.8%.

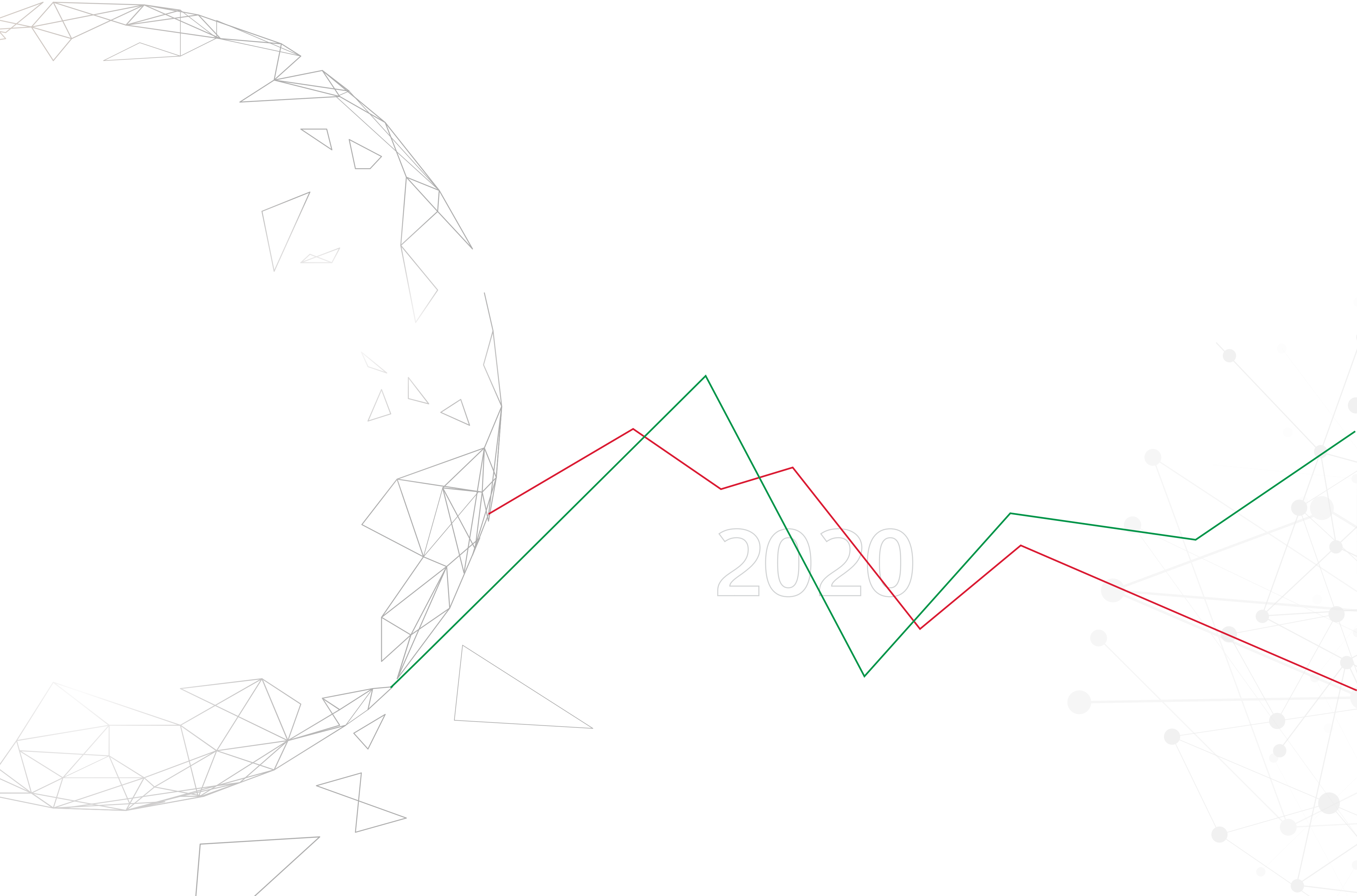
Monetary and banking situation

Under the GCC states' fixed exchange rate system which is pegged to the US dollar, and in line with the accommodative monetary policy of the US Federal Reserve, the Gulf central banks adopted expansionary monetary policies in 2019 and reduced the interest rates of the monetary policy in full or partial, matching to the three rounds of Federal Reserve cuts. This is aimed at preserving the exchange rate and monetary stability on the one hand, and stimulating bank credit and domestic demand on the other hand, in a way that contributes to achieving economic growth.

Table 05 Key economic indicators of the GCC states

State	2018	2019	2020*	2021*
Annual growth in real gross domestic product (GDP)	1.9	0.8	-6.0	2.3
Of it, non-oil Product (%)	1.7	2.4	-5.7	2.9
Current account balance (percentage of GDP, %)	8.6	5.8	-1.8	0.4
Public fiscal balance (percentage of GDP, %)	-1.5	-2.0	-9.2	-5.7
Inflation rate (annual average, %)	2.2	-1.5	1.5	2.9

Source: International Monetary Fund


2020

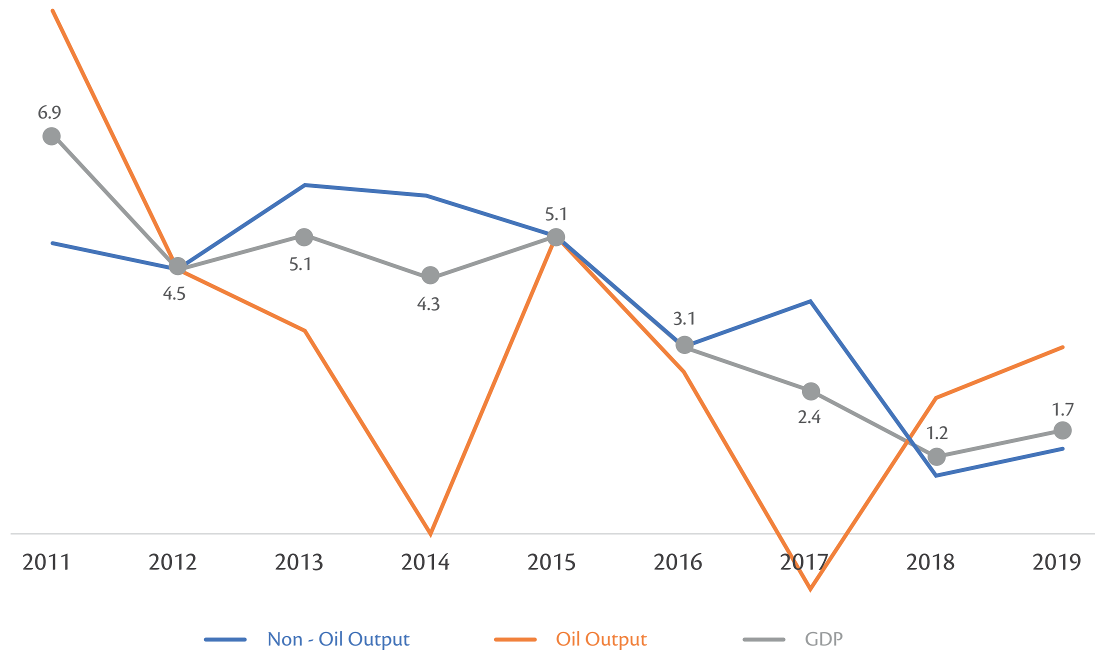
02

Second: The Performance of National Economy

01 Gross Domestic Product

The growth of real GDP increased in 2019 to reach 1.7%, compared to 1.2% in 2018. This growth in real GDP in 2019 is attributable to the growth of non-oil output at a rate of 1.0% and a growth of oil output at 3.4%. The GDP at constant prices reached AED 1,486.3 billion in 2019, while the GDP at current prices reached AED 1,546.6 billion.

Figure 03 GDP growth rates at constant prices, (%)

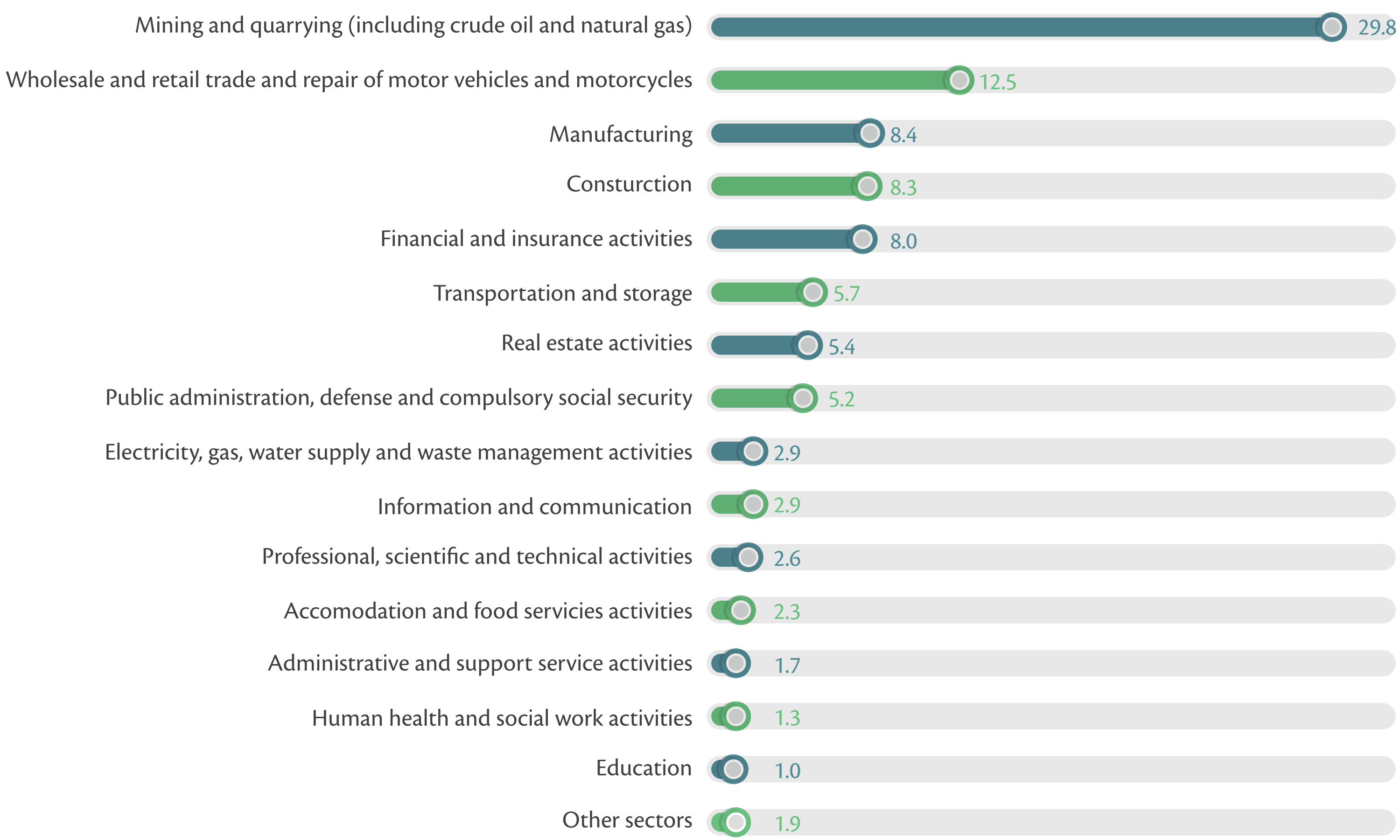


Source: Federal Authority for competitiveness and Statistics and Ministry of Economy

According to the sectoral distribution of the GDP at constant prices for 2019, the various non-oil sectors accounted for 70.2%, while the contribution of the oil sector amounted to 29.8% of the real GDP. In the non-oil sectors, the "wholesale and retail trade and vehicle repair" sector accounted for the largest share, at 12.5% of the real GDP, followed by the "manufacturing" sector at 8.4%, the "construction" sector at 8.3%, and the "financial and insurance activities" sector at 8.0%.

The Chart below shows the level of economic diversification in the state's production structure and the relative importance of the various economic activities in the GDP.

Figure 04 Sectoral distribution of GDP at constant prices for **2019 (%)**

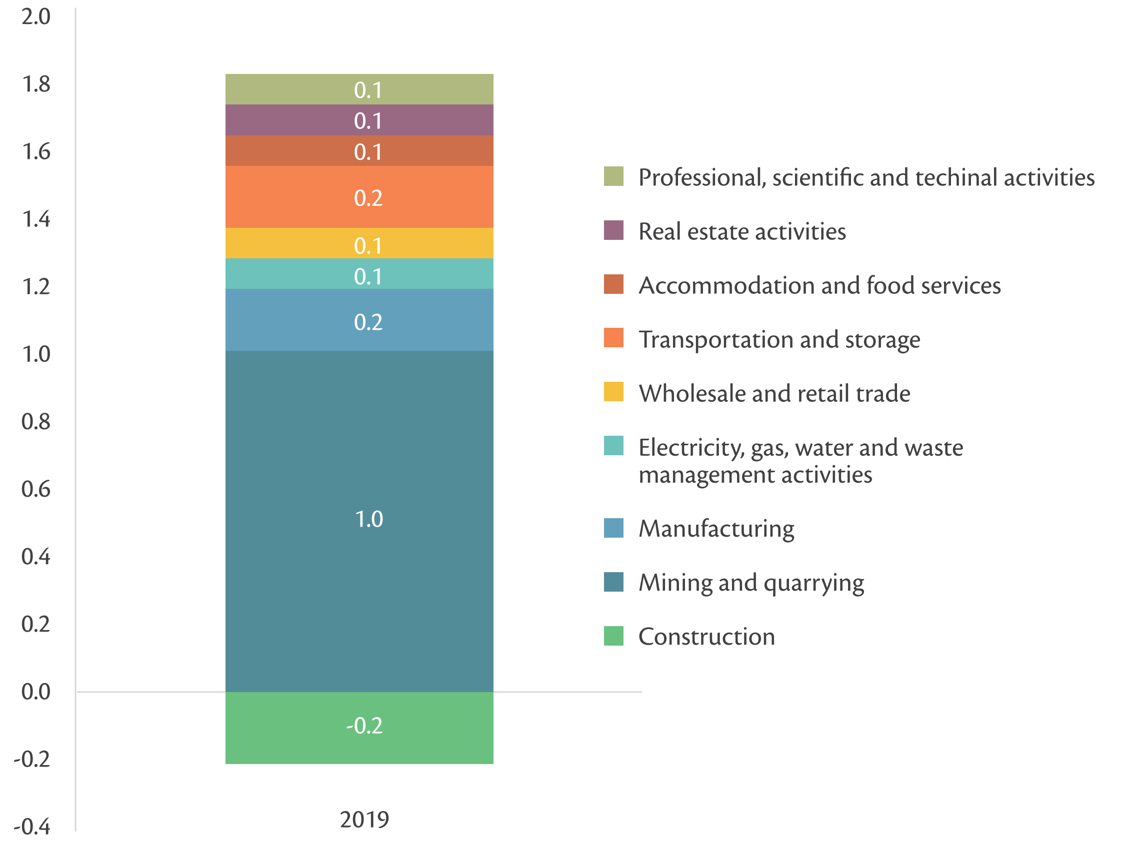


Source: Federal Competitiveness and Statistics Centre.

An analysis of the contribution of the economic sectors to the real growth in 2019 shows that the oil sector's contribution was largest; amounting to 1.0 percentage points in the 1.7% total growth of the GDP, while the non-oil sectors collectively contributed by 0.7 percentage points. Among the non-oil sectors, the "transportation and storage" and "manufacturing" sectors contributed by 0.4 percentage points (0.2 percentage points per sector) to the overall real growth. The sectors of "wholesale and retail trade", "real estate activities", "professional, scientific and technical activities", "accommodation and food services activities" and "electricity, gas, water and waste management activities" together contributed by 0.5 percentage points to the real growth (0.1 percentage points for each sector) . The "construction" sector had a negative contribution to growth by -0.2 percentage points.

As for the analysis of contributions to economic growth from the expenditure side in 2019, consumer and investment expenditure was the main driver of economic growth, with consumer expenditure contributing by 6.2 percentage points, and investment expenditure by 1.3 percentage points. On the other hand, net exports had a negative contribution of -5.8 percentage points, reflecting the decline in exports of goods and services and the increase in imports of goods and services during this year.

Figure 05 Oil and Non-Oil Economic Sectors Contribution to Economic Growth, in **2019**

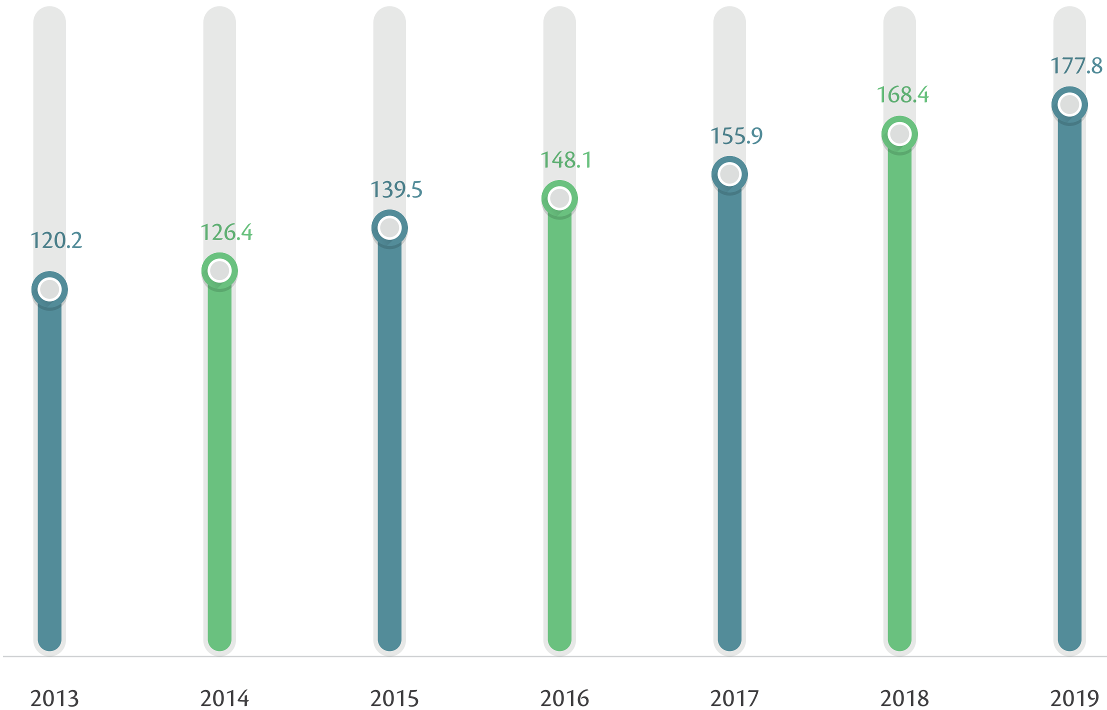


Source: Federal Competitiveness and Statistics Centre.

Tourism Sector in UAE

- The tourism sector is one of the key sectors that support the policy of economic diversification in the UAE, as this sector contributes to the support and growth of non-oil GDP and to creating jobs in the State's labor market. In 2019, the State's tourism sector output increased by 5.6% to AED 177.8 billion (11.9% of GDP). Moreover, the sector contributed to creating about 745 thousand jobs in 2019; which is 11.1% of the State's labor market, compared to 702 thousand jobs in 2018. Total tourism expenditure amounted to AED 182.2 billion in 2019, and visitor spending accounted for 77.6% of total spending, while the proportion of spending on domestic tourism was 22.4% of the total, and leisure tourism accounted for the largest share, amounting to 79%, compared to 21% for business tourism. Tourism investment amounted to AED 27.5 billion.
- The number of hotel establishments reached 1,136 in 2019, and the number of hotel guests reached 27.1 million in 2019; an increase of 6% over the previous year. The number of guests from outside the state reached 22.5 million (83% of the total), and India, Saudi Arabia, China, the United Kingdom and the United States of America topped the five major tourist markets for the State. The total number of guest nights was 84.9 million, with total revenue of AED 30.6 billion in 2019.

Figure 06 Development in Tourism Sector› Output, AED Billion

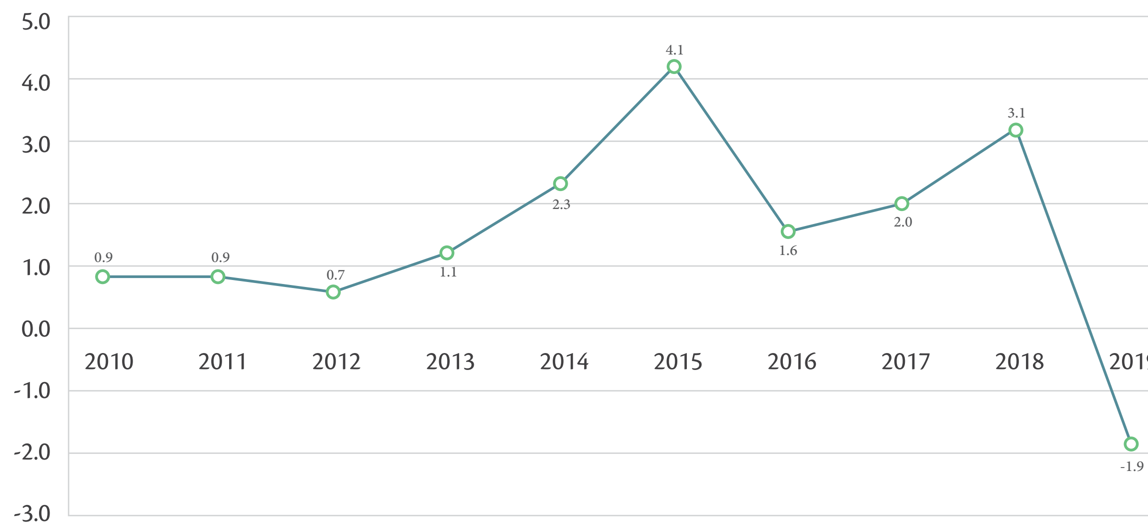


Source: World Travel and Tourism Council

02 Inflation Rate

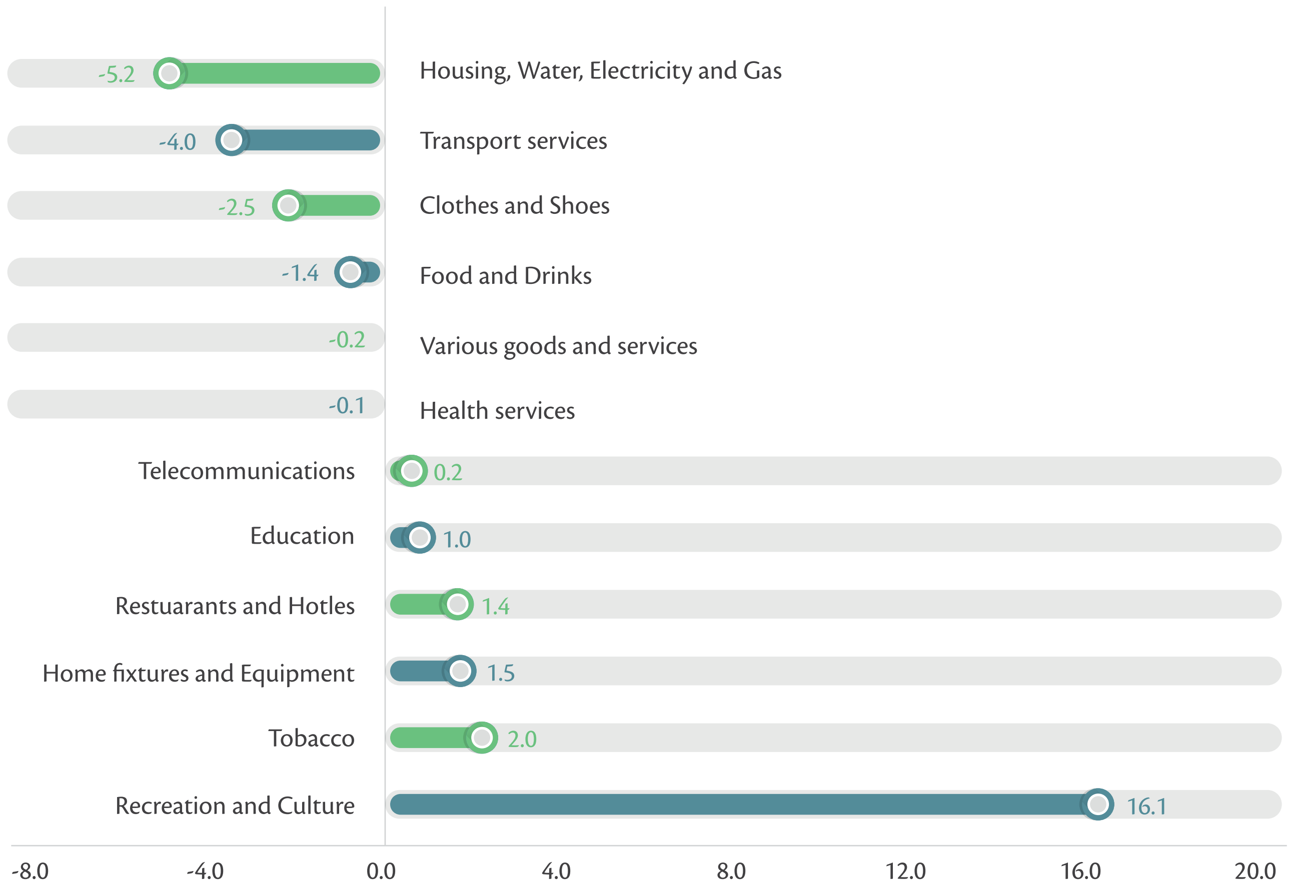
As the inflationary impact of the implementation of the value-added tax faded, the Consumer Price Index, (CPI) index, decreased by -1.9% in 2019 from its level in 2018. This price contraction was driven by the decline in the prices of goods and services groups of high relative importance in the consumer basket. Housing, water and electricity prices declined by (-5.2%), transportation prices (-4.0%), and food and beverage prices (-1.4%). On the other hand, the entertainment and culture group recorded the highest price increase in 2019, by 16.1%.

Figure 07 Annual Inflation Rate (%)



Source: Federal Competitiveness and Statistics Centre.

Figure 08 The percentage change in consumer prices according to groups of goods and services **2019 (%)**



Source: Federal Competitiveness and Statistics Centre.

03 Non-oil Foreign Trade

- The value of the UAE's non-oil foreign trade grew by 4.4% during 2019 compared to 2018, rising from AED 1,536 billion in 2018 to AED 1,604 billion in 2019.
- 12.2% growth in the value of non-oil exports in 2019 compared to 2018, as the value of non-oil exports in 2019 amounted to about AED 231.2 billion, in which exports constituted 14.4% of the total trade.
- 57.1% was the contribution of UAE imports to the total volume of UAE foreign trade for the year 2019, with an annual growth of 1.8%.
- 6% growth in re-export value in 2019 compared to 2018, with a relative weight of 28.5%.

Table 06 UAE non-oil foreign trade between **2017- 2019**

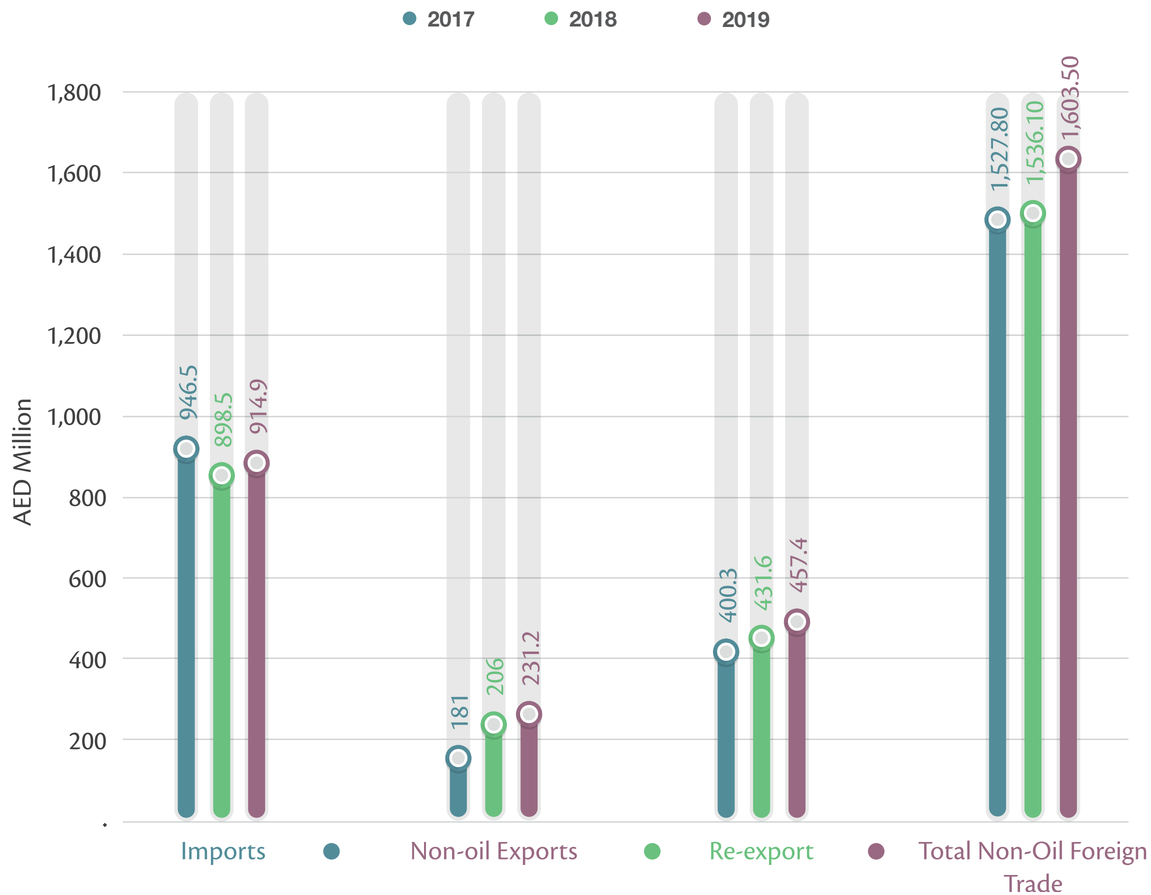
Value: AED Billion

Year	Imports	Non-oil exports	Re-export	Total of non-oil foreign trade*	Annual total trade growth
2017	946.5	181.0	400.3	1527.8	-
2018	898.5	206.0	431.6	1536.1	0.5%
2019	914.9	231.2	457.4	1603.5	4.4%
Growth rate of 2019 compared to 2018	1.8%	12.2%	6.0%	4.4%	

Source: Federal Competitiveness and Statistics Centre.

*Includes direct trade, free zone trade, and warehouse trade

Figure 09 UAE non-oil foreign trade between **2017- 2019**



*Includes direct trade, free zone trade, and warehouse trade

Non-oil foreign trade by top trading partners

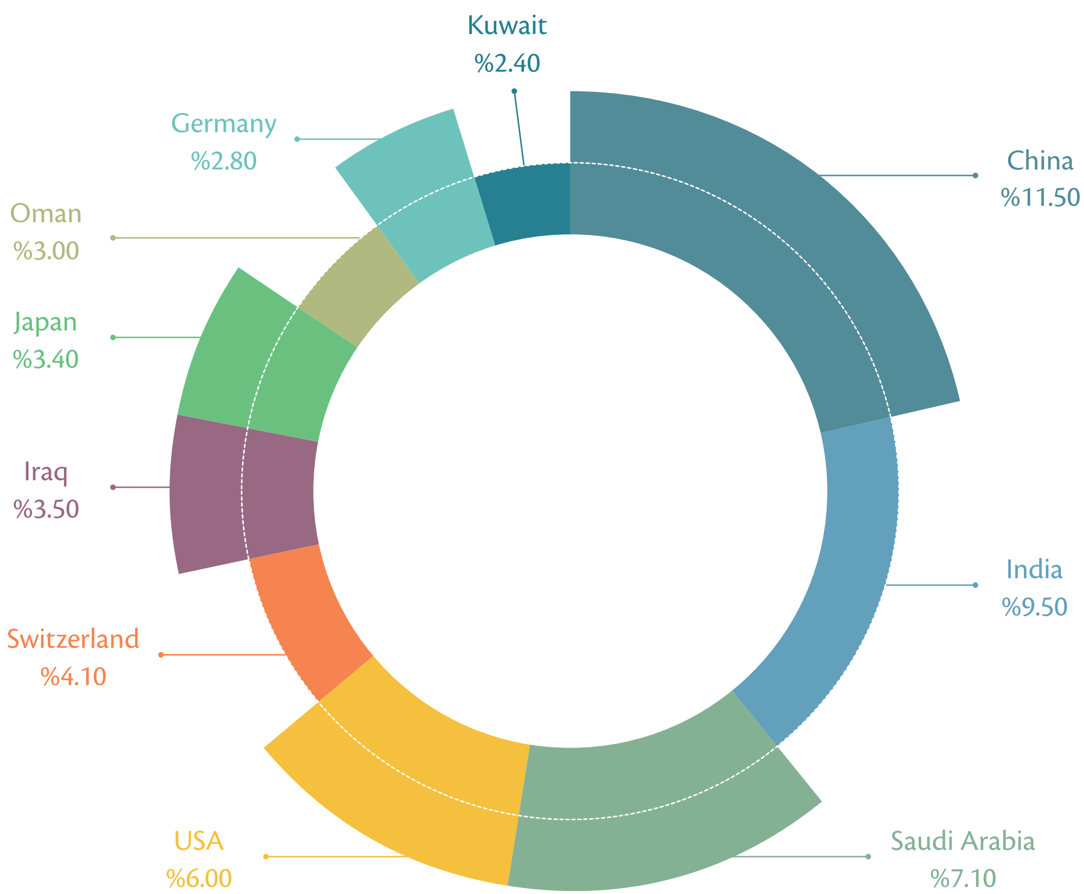
- 53.1% is the top 10 trading partners' share rate of the UAE total non-oil foreign trade for 2019.
- China is the UAE first trading partner with a total non-oil trade exchange value amounting to AED 184.2 billion, thus accounting for 11.5% of the UAE total non-oil foreign trade for 2019.
- India is the UAE second trading partner with a total non-oil trade exchange value of AED 152.1 billion, thus accounting for 9.5% of the UAE total non-oil foreign trade for 2019.

Table 07 The UAE non-oil trade by top trading partners **2019**

State	Value of trade for 2019 AED Billion	Percentage of the total %
China	184.2	11.5%
India	152.1	9.5%
Saudi Arabia	113.3	7.1%
USA	96.6	6.0%
Switzerland	65.2	4.1%
Iraq	55.4	3.5%
Japan	53.8	3.4%
Oman	48.0	3.0%
Germany	44.8	2.8%
Kuwait	38.9	2.4%
Total of top trading partners	852.1	53.1%

Source: Federal Competitiveness and Statistics Centre.

Figure 10 Foreign Trade By The Contribution of Top Partners **2019**



The UAE imports by geographical distribution

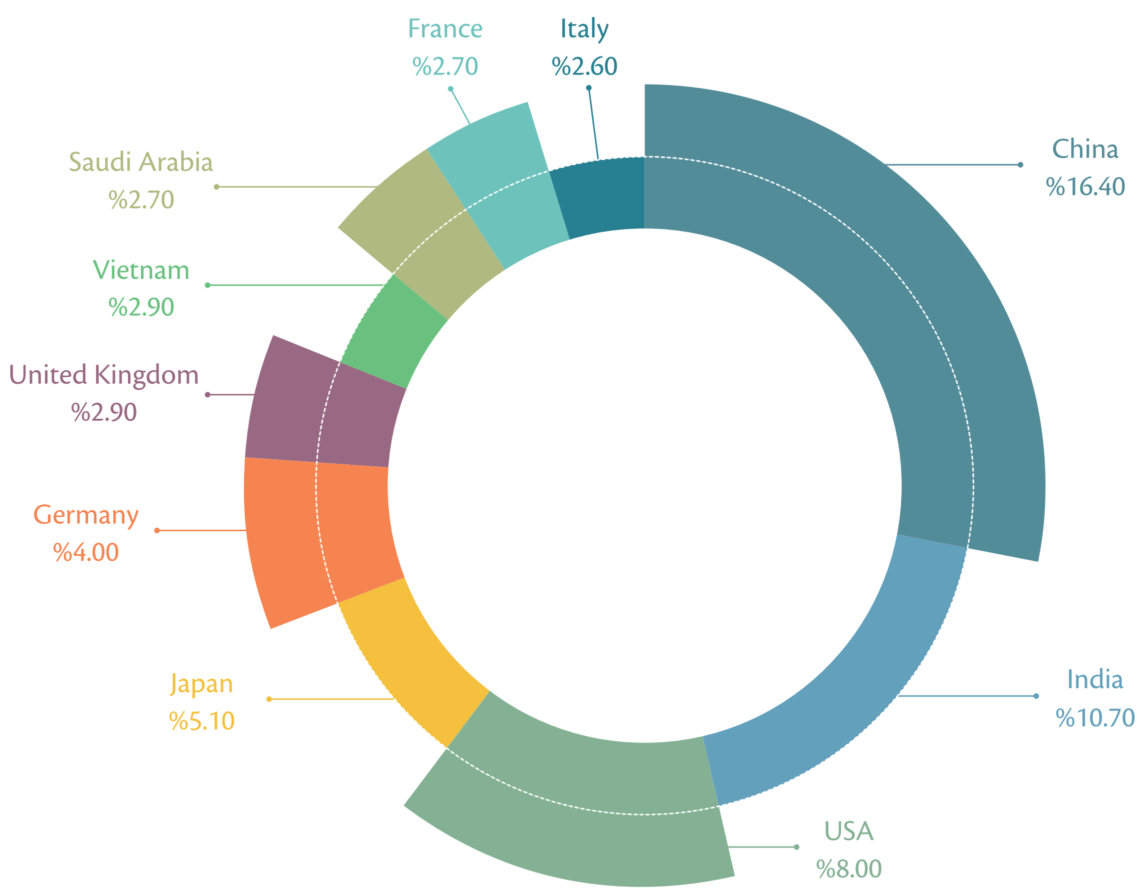
- 10 countries contributed by 58.1% to the UAE imports during 2019.
- China is considered as the UAE top strategic partner in terms of the UAE imports from the world for 2019, with a total of AED 149.8 billion and a relative weight of 16.4%, and an annual growth rate of 7.3%.
- India ranked second globally in terms of the UAE imports with a value of AED 98.2 billion and a share rate of 10.7%, with an annual growth of 15.9%.

Table 08 The UAE Imports by Top Partners 2019

State	Value of imports for 2019 AED billion	Percentage of the total %
China	149.8	16.4%
India	98.2	10.7%
USA	73.1	8.0%
Japan	46.3	5.1%
Germany	37.0	4.0%
United Kingdom	26.8	2.9%
Vietnam	26.4	2.9%
Saudi Arabia	25.1	2.7%
France	24.8	2.7%
Italy	24.1	2.6%
Total of top countries to the UAE imports	531.6	58.1%

Source: Federal Competitiveness and Statistics Centre.

Figure 11 Top Partners in Terms of Contribution to The UAE Imports **2019**



The UAE imports b commodity distribution

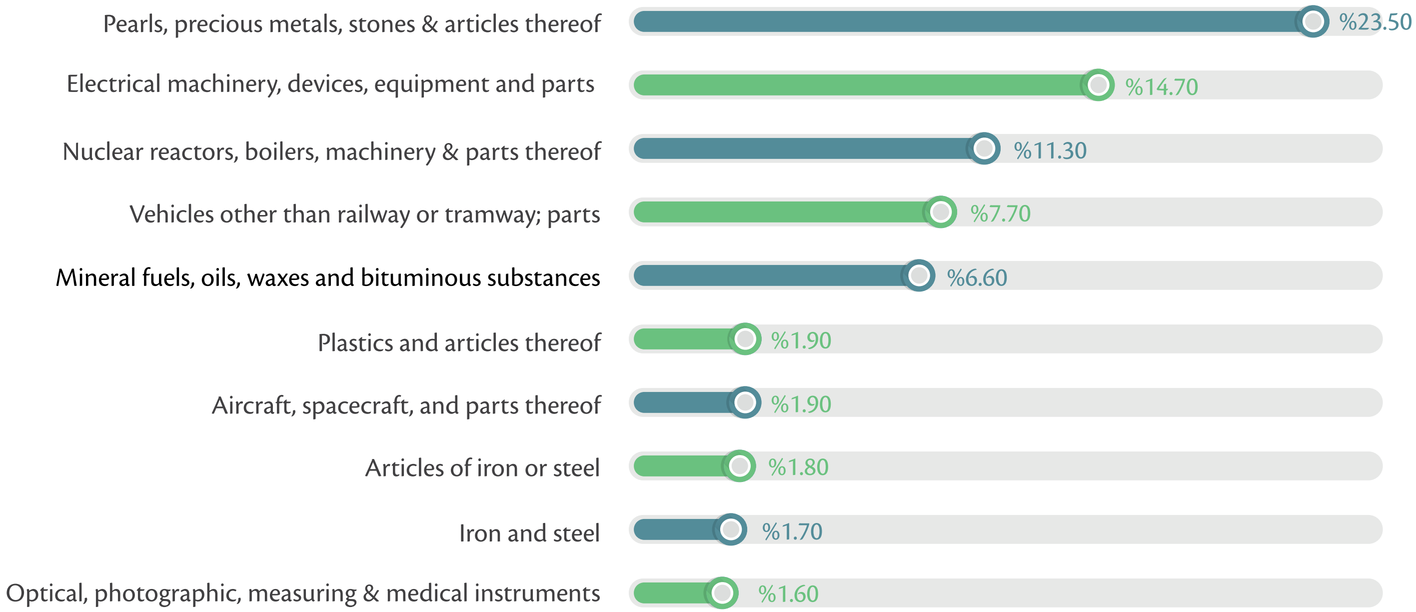
- 10 commodities accounted for 72.8% of the UAE total imports during 2019.
- The most prominent imported commodities are native, unwrought, or powder gold with a value of AED 215.1 billion and a relative weight of 23.5%, followed by mobile phones with a value of AED 134.9 billion and a relative weight of 14.7%, then petroleum oils and petroleum oils from non-raw bituminous materials with a relative weight of 11.3% of the total imports in 2019.

Table 09 UAE Imports by Top Commodities for **2019**

Commodity	Value of imports for 2019 AED billion	Relative weight %
Pearls, precious metals, stones & articles thereof	215.1	23.5%
Electrical machinery, devices, equipment and parts	134.9	14.7%
Nuclear reactors, boilers, machinery & parts thereof	103.3	11.3%
Vehicles other than railway or tramway; parts	70.6	7.7%
Mineral fuels, oils, waxes and bituminous substances	60.5	6.6%
Plastics and articles thereof	17.4	1.9%
Aircraft, spacecraft, and parts thereof	17.0	1.9%
Articles of iron or steel	16.3	1.8%
Iron and steel	15.8	1.7%
Optical, photographic, measuring & medical instruments	15.1	1.6%
The top 10 imported commodities	478.7	72.8%

Source: Federal Competitiveness and Statistics Centre.

Figure 12 UAE imports by the relative weight of top commodities **2019**



UAE exports by geographical distribution

- Top 10 partners of the UAE's non-oil exports accounted for 60.9% of the total UAE non-oil exports for 2019.
- Saudi Arabia is the first destination of the UAE non-oil exports with a value of AED 30.9 billion and a relative weight of 13.4%, then comes India as the second largest geographical destination for the UAE non-oil exports with a value of AED 24 billion and a relative weight of 10.4%, followed by Switzerland in the third rank with a value of AED 20.9 billion.

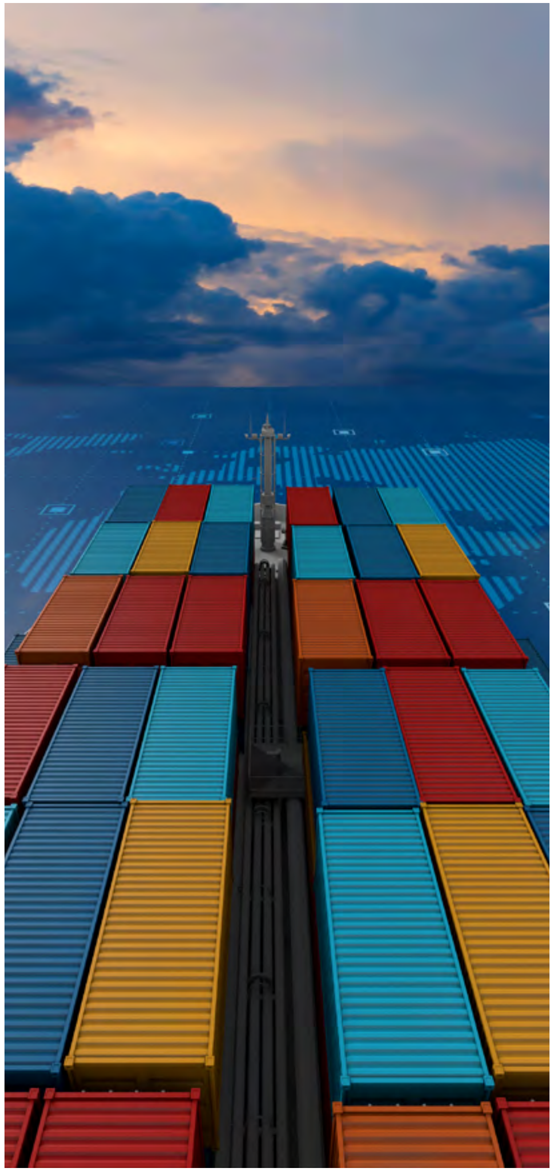
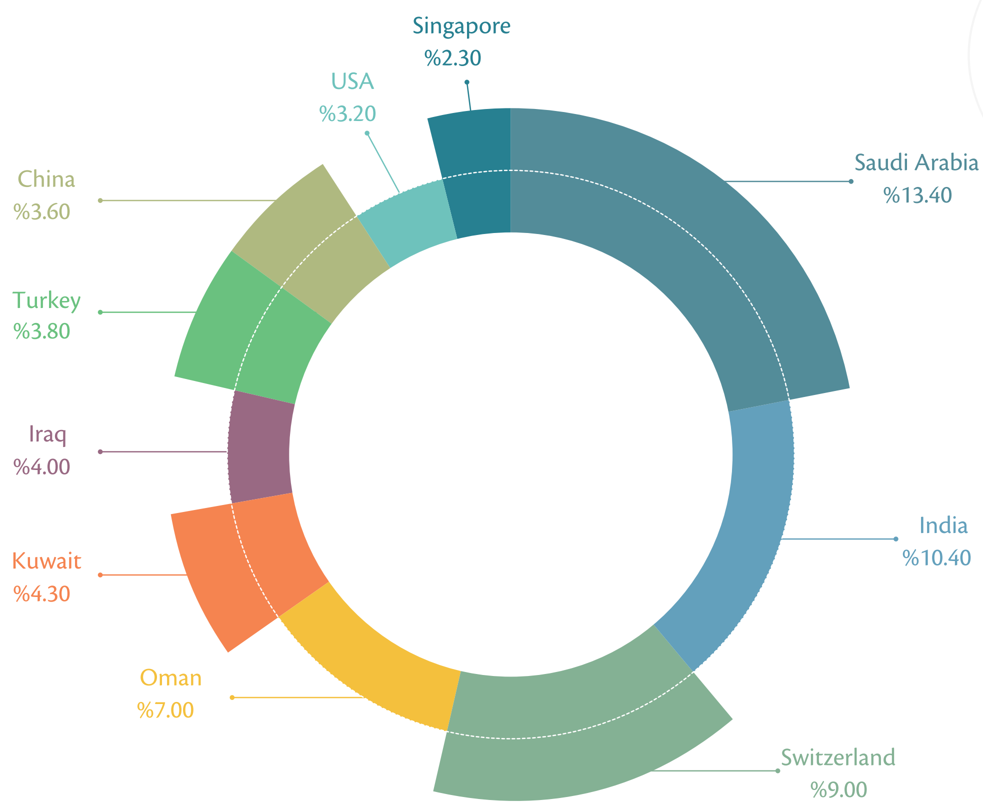


Table 10 Top partners by the UAE non-oil exports value for **2019**

State	Value of non-oil exports for 2019 AED billion	Percentage of the total %
Saudi Arabia	30.9	13.4%
India	24.0	10.4%
Switzerland	20.9	9.0%
Oman	16.2	7.0%
Kuwait	9.9	4.3%
Iraq	9.2	4.0%
Turkey	8.7	3.8%
China	8.3	3.6%
USA	7.3	3.2%
Singapore	5.2	2.3%
Total of top 10 partners	140.7	60.9%

Source: Federal Competitiveness and Statistics Centre.

Figure 13 UAE non- oil exports by the relative contribution of top export- oriented destination **2019**



UAE exports by commodities distribution

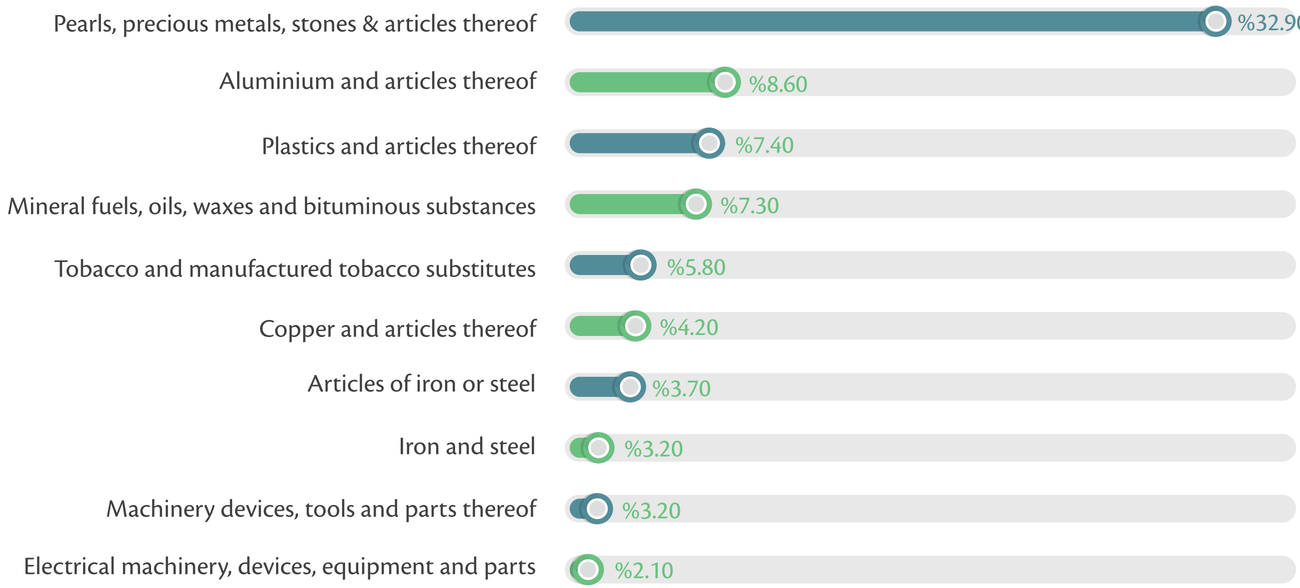
- The UAE non-oil exports during 2019 were concentrated on 10 commodities by 78.5%.
- Native gold with its different types topped the list of commodities exported to the world with a total value of AED 76.1% billion and a relative weight that exceeded quarter of the UAE exports (by 32.9%), followed by aluminum and its products with a total value of 19.9 billion, with a contribution of 8.6%, and then plastics and articles thereof with a value of 17 billion and a relative weight of 7.4%.

Table 11 UAE non-oil exports by top commodities for **2019**

Commodity	Value of exports for 2019 AED billion	Relative weight %
Pearls, precious metals, stones & articles thereof	76.1	32.9%
Aluminum and articles thereof	19.9	8.6%
Plastics and articles thereof	17.0	7.4%
Mineral fuels, oils, waxes and bituminous substances	17.0	7.3%
Tobacco and manufactured tobacco substitutes	13.4	5.8%
Copper and articles thereof	9.7	4.2%
Articles of iron or steel	8.7	3.7%
Iron and steel	7.5	3.2%
Machinery devices, tools and parts thereof	7.4	3.2%
Electrical machinery, devices, equipment and parts	4.9	2.1%
Top 10 exported commodities	181.5	78.5%

Source: Federal Competitiveness and Statistics Centre.

Figure 14 UAE non- oil exports by top commodities **2019**



Re-export to the UAE by countries and commodities

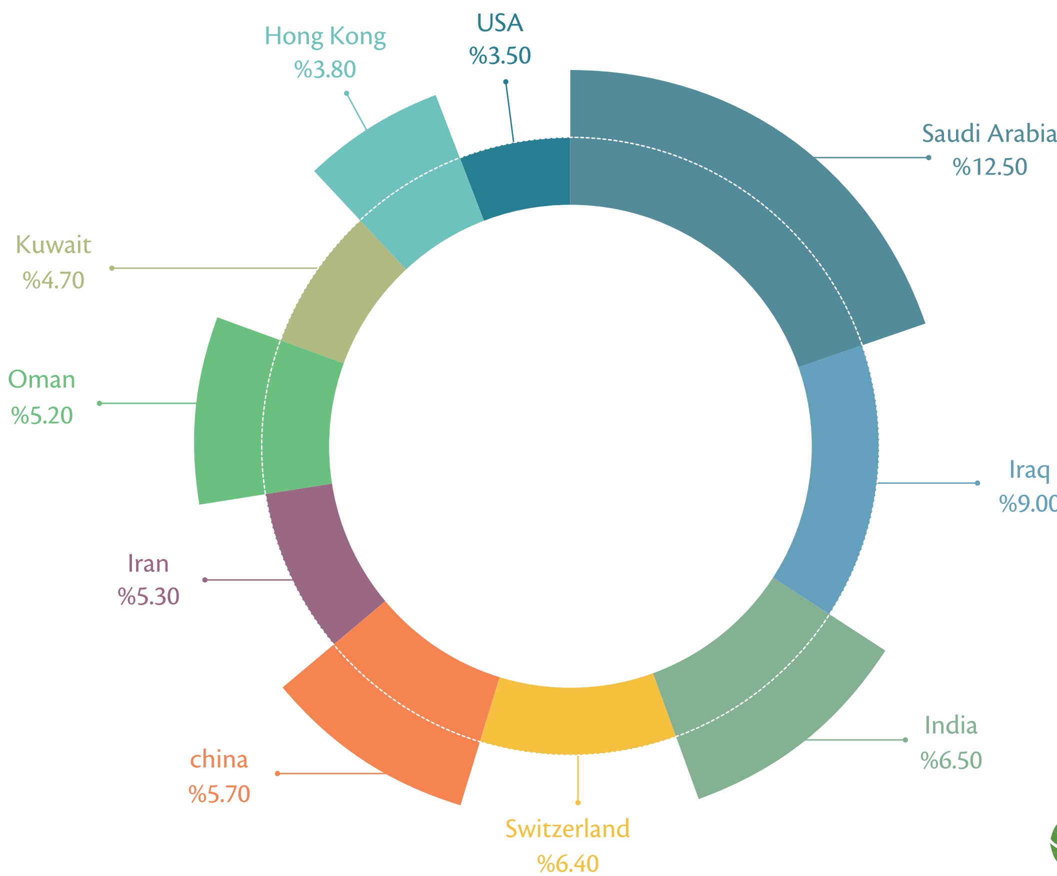
- 62.7% is the contribution of the UAE re-exports to 10 destinations during 2019.
- Saudi Arabia is considered as the first destination for the UAE re-exports with a value of AED 57.2 billion and a relative weight of 12.5%, followed by Iraq as the second largest destination with a value of AED 41.3 billion and a relative weight of 9%, then comes India in the third rank with a value of AED 29.9 billion.

Table 12 Top partners by value of UAE non-oil exports for **2019**

State	Value of re-export 2019 AED billion	Percentage of the total %*
Saudi Arabia	57.2	12.5%
Iraq	41.3	9.0%
India	29.9	6.5%
Switzerland	29.2	6.4%
China	26.1	5.7%
Iran	24.2	5.3%
Oman	23.8	5.2%
Kuwait	21.4	4.7%
Hong Kong	17.4	3.8%
USA	16.1	3.5%
Top 10 partners	286.8	62.7%

Source: Federal Competitiveness and Statistics Centre.

Figure 15 UAE re- exports to top countries by relative weight **2019**



UAE re-export by commodity distribution

- The UAE re-exports movement was concentrated on 10 commodities by 82.3% during 2019.
- Electrical machines, devices, equipment and parts thereof topped the list of commodities re-exported to the world with a total value of AED 107 billion and a relative weight that reached 23.4%, followed by precious metals, jewelry, natural pearls, gemstones and their parts with a total value of AED 99.6 billion with a contribution rate of 21.8%, then machinery devices, tools and parts thereof with a relative weight of 13.4% with value of AED 61.1 billion.

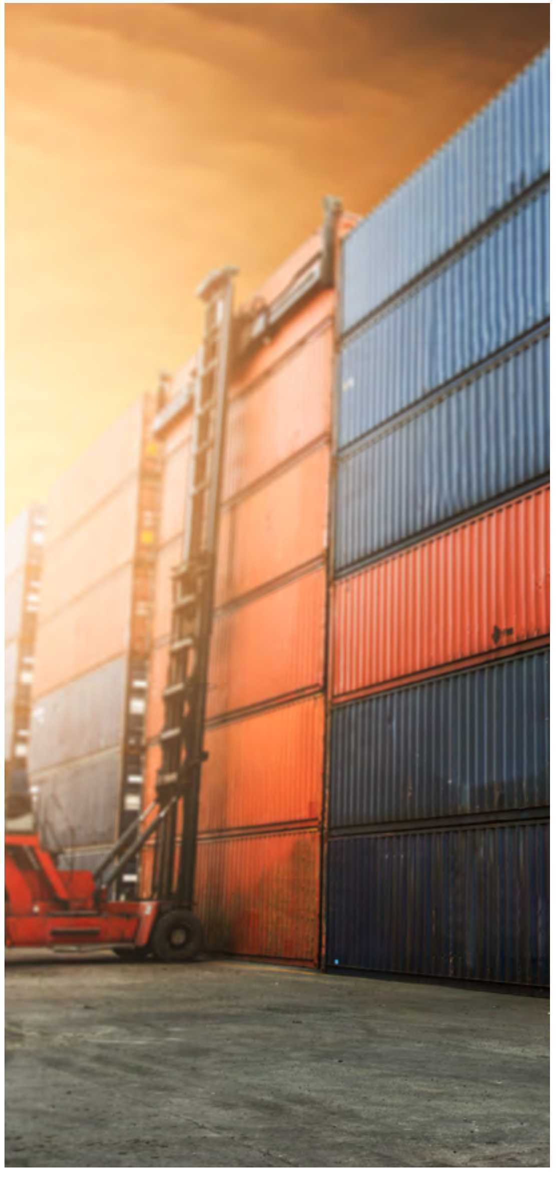
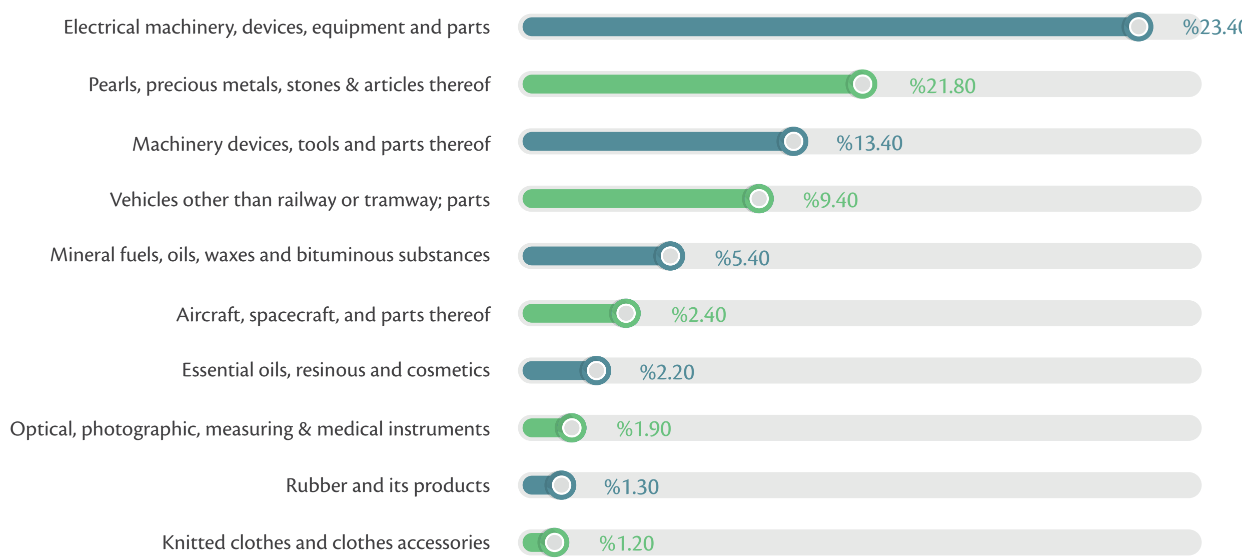


Table 13 UAE non-oil re-exports by top commodities for **2019**

State	Value of re-export 2019 AED billion	Relative weight %
Electrical machinery, devices, equipment and parts	107.0	23.4%
Pearls, precious metals, stones & articles thereof	99.6	21.8%
Machinery devices, tools and parts thereof	61.1	13.4%
Vehicles other than railway or tramway; parts	43.2	9.4%
Mineral fuels, oils, waxes and bituminous substances	24.9	5.4%
Aircraft, spacecraft, and parts thereof	10.8	2.4%
Essential oils, resinous and cosmetics	10.0	2.2%
Optical, photographic, measuring & medical instruments	8.6	1.9%
Rubber and its products	5.9	1.3%
Knitted clothes and clothes accessories	5.5	1.2%
Top 10 re-exported commodities	376.6	82.3%

Source: Federal Competitiveness and Statistics Centre.

Figure 16 UAE re- export by the relative weight of top commodities **2019**



04 Final Consumer Spending

The government consumer spending volume remarkably developed from AED 183.3 billion in 2018 to AED 205.4 billion in 2019, with an increase of 12.1%. The private consumer spending also increased from AED 593.9 billion in 2018 to AED 601.8 billion in 2019, with a growth rate of 1.3%. As a result, the total final consumer spending volume rose from AED 777.2 billion in 2018 to AED 807.2 billion in 2019, with an increase of 3.9%. The final consumer spending to the GDP developed from 50.1% in 2018 to 52.2% in 2019.

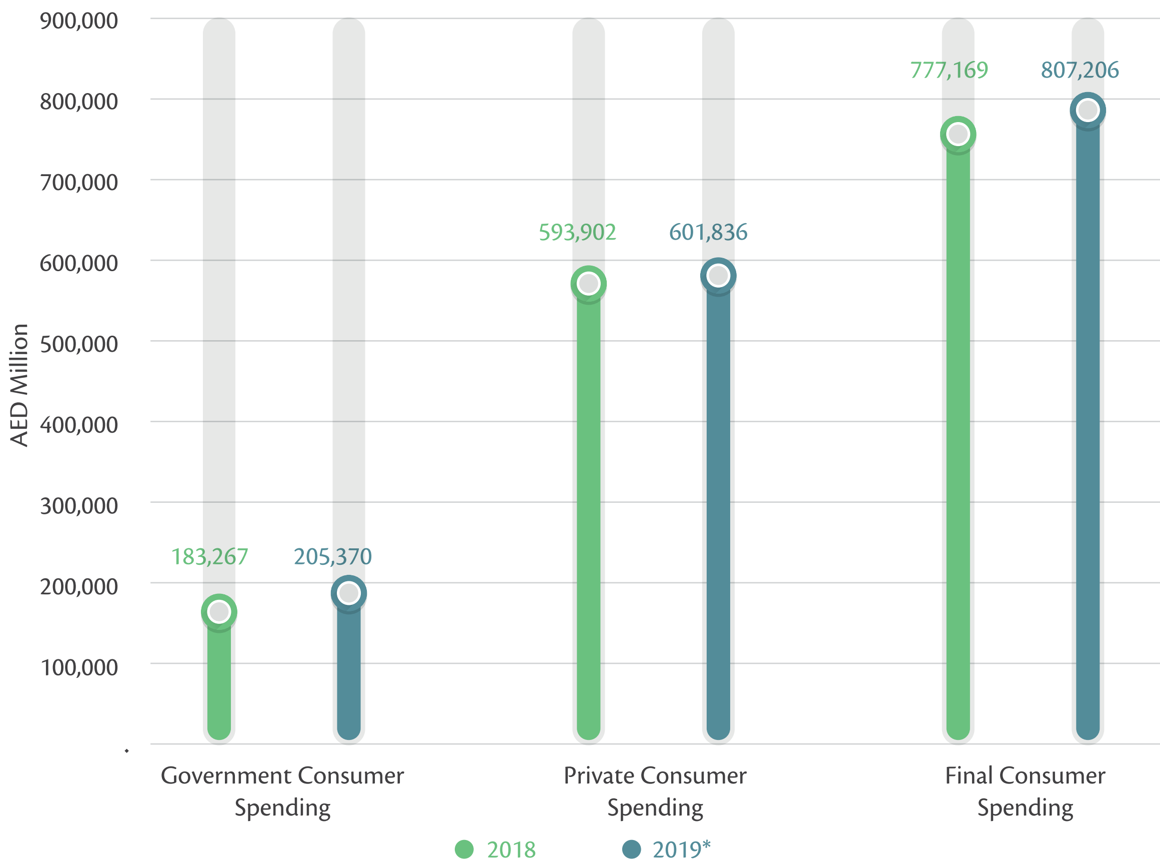
Table 14 Final consumer spending for **2018/2019** (AED Million)

Data	2018	2019*	Growth rate %
Government consumer spending	183,267	205,370	12.1%
Private consumer spending	593,902	601,836	1.3%
Final consumer spending	777,169	807,206	3.9%
% Final consumer spending of the GDP	50.1%	52.2%	

Source: Federal Competitiveness and Statistics Centre.

*Preliminary data.

Figure 17



05 Gross Fixed Capital Formation

Gross fixed capital formation increased from about AED 268.6 billion in 2018 to AED 272.8 billion in 2019, with an annual growth of 1.5%, as five sectors accounted for 66% of the total gross fixed capital formation. The real estate activities sector topped the rest of sectors at a contribution rate of 18% during 2019, with a value of AED 49.2 billion and an annual growth of 3.6%, followed by the Mining and Quarrying sector, which ranked second and accounted for about 15.2%, with an annual growth of 3%. The manufacturing industries sector ranked third and accounted for about 12.1% of the total gross fixed capital formation then comes the transport and storage sectors, public administration and defense, and compulsory social security, as the contribution of each sector to the capital formation amounted to 10.3%.

Table 15 Gross fixed capital formation by economic sectors for **2018/2019**

Economic sectors	2018		*2019		Annual growth, 2019 compared to 2018 %
	Value AED Million	Contribution %	Value AED Million	Contribution %	
Real estate activities	47,478	17.7%	49,202	18.0%	3.6%
Mining and Quarrying (including crude oil and natural gas)	40,144	14.9%	41,329	15.2%	3.0%
Manufacturing industries	32,279	12.0%	33,082	12.1%	2.5%
Public administration and defense, and compulsory social security	30,178	11.2%	28,203	10.3%	-6.5%
Transport and storage	27,232	10.1%	27,997	10.3%	2.8%
Electricity, gas, and water supply; waste management activities	19,874	7.4%	20,693	7.6%	4.1%
Wholesale and retail trade, repair of motor vehicles and motorcycles	21,964	8.2%	19,714	7.2%	-10.2%
Construction	9,381	3.5%	10,518	3.9%	12.1%
Information and communication	7,444	2.8%	7,657	2.8%	2.9%

Economic sectors	2018		*2019		Annual growth, 2019 compared to 2018 %
	Value AED Million	Contribution %	Value AED Million	Contribution %	
Residence activities and food services	6,026	2.2%	5,965	2.2%	-1.0%
Administrative service activities and support services	5,586	2.1%	5,712	2.1%	2.3%
Education	4,523	1.7%	5,201	1.9%	15.0%
Vocational, scientific, and technological activities	4,330	1.6%	4,816	1.8%	11.2%
Human health activities and social service	3,785	1.4%	3,932	1.4%	3.9%
Art, entertainment, promotion, and other services activities	3,601	1.3%	3,768	1.4%	4.6%
Financial and insurance activities	3,459	1.3%	3,518	1.3%	1.7%
Agriculture, forestry, and fishing	1,344	0.5%	1,482	0.5%	10.3%
Total	268,630	100%	272,790	100%	1.5%

Source: Federal Competitiveness and Statistics Centre.

*Preliminary data.

2.5 Foreign Direct Investment

According to the World Investment Report 2020 issued by the United Nations Conference on Trade and Development (UNCTAD), the UAE climbed three ranks in 2019 compared to 2018, and to rank 24th globally in terms of its ability to attract foreign investment. The value of foreign direct investment to the UAE increased to about $ 13.8 billion in 2019 compared to $ 10.4 billion in 2018 with a growth rate of 32%.

The balance of cumulative direct foreign investment to the UAE increased by 10% compared to 2018 which amounted to $ 154.1 billion in 2019 compared to $ 140.3 billion in 2018.

The State is expected to achieve more growth in the State's direct foreign investment inflows with adopting and implementing a package of initiatives and providing facilities and incentives in the field of attracting foreign capitals the most prominent of which is Issuance of Decree-Law No. 26 of 2020 concerning some amendments on the Federal Law No. 2 of 2015 on Commercial Companies. This will raise the foreign direct investment inflows contribution to the GDP at current prices to 5% by 2021 compared to 3.3% currently.

During 2018/2019, the UAE retained its 19th position

globally in terms of the UAE foreign direct investment outflows exported to world countries, according to the UNCTAD classification included in the aforementioned report. The total of the UAE direct investment flows abroad amounted to $ 15.9 billion in 2019 compared to $ 15.1 billion in 2018, with an increase of 5.5% compared to 2018.

The balance of the UAE cumulative direct investment outflows rose by 11.4% compared to 2018 which amounted to $ 155.4 billion in 2019 compared to $ 139.5 billion in 2018.

In 2019, the UAE ranked first at the level of West Asia countries in the foreign direct investment attraction index, as it accounted for 49.4% of the total foreign investment inflows to West Asia Region, despite the decrease of foreign direct investment inflows to West Asia Region by 7.5%.

The UAE ranked first on the level of West Asia Region in terms of direct foreign direct investment inflows coming from the West Asia countries for 2019, as it accounted for 45% of the total direct foreign investment inflows coming from the West Asia countries.

The UAE ranked first on the level of the Middle East and North Africa Regions in the index of foreign direct investment attraction to the region, accounting for 31% of the total inflows to the region for 2019.
The UAE ranked first on the level of the Middle East and North Africa Regions by 43% of the total foreign direct investment outflows of the Middle East and North Africa countries for 2019.

The State's foreign direct investment structure is characterized by diversity. The most important economic sectors that dominate foreign direct investment are: wholesale and retail trade, real estate activities, financial services and social security, mining, quarrying, and manufacturing industries. The most important investing countries in the UAE are: United Kingdom, India, China, British Virgin Islands, Saudi Arabia, USA, France, Austria, Japan, and Kuwait.

Table 16 Flows and Stock Foreign Direct Investment inflows to the UAE for the period **2015-2019** ($ billion)

Year	Net annual foreign direct investment (flows)	Total cumulative foreign direct investment (Stock)
2015	8.55	109.98
2016	9.61	119.58
2017	10.35	129.93
2018	10.39	140.32
2019	13.79	154.11
Annual growth for 2019 compared to 2018	32.7%	9.8%

Source: Direct Foreign Investment Database, UNCTAD Organization.

Figure 18 UAE net foreign direct investment inflows **2015-2019**

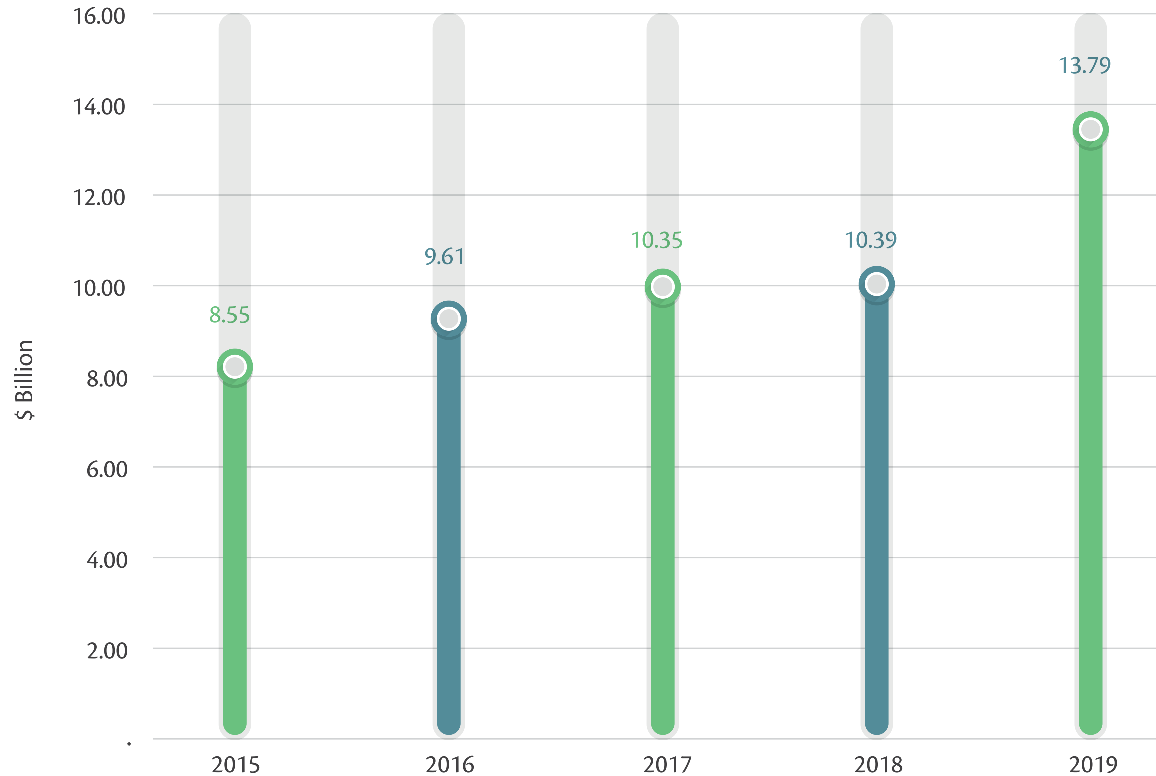
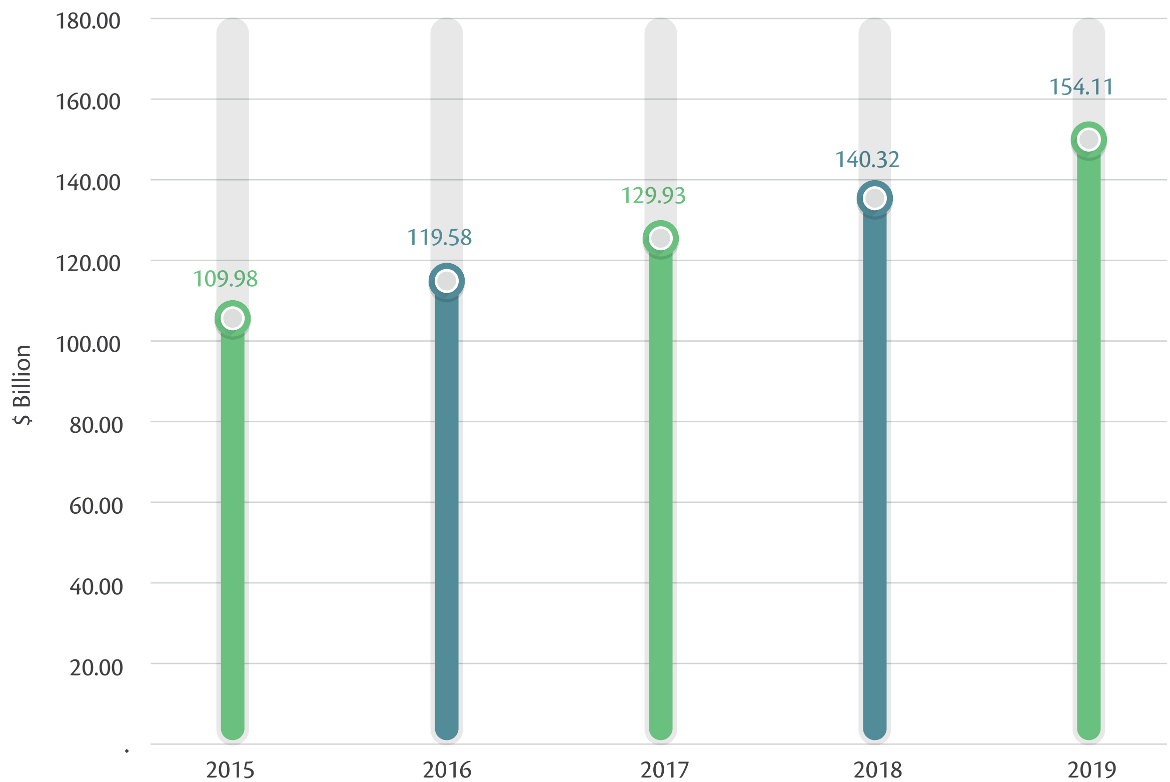


Figure 19 UAE cumulative foreign direct investment inflows **2015-2019**



Through its strategic investments abroad that are characterized by durability and that cover most world countries, the UAE plays an important and active role in pushing the wheel of development in these countries forward, in addition to reducing unemployment rate. Such investments cover various sectors such as: infrastructure, ports, renewable and alternative energy, manufacturing industries, health services, agriculture, constructions, real estates, and others. The UAE total foreign direct investment outflows to the world amounted to $ 15.9 billion in 2019 compared to $ 15.1 billion in 2018, with a growth rate of 5.5%, while the UAE foreign direct investment outflows to the world grew by 11.4% in 2019 compared to 2018. The UAE raked first on the level of West Asia Region accounting for 45% of West Asia countries' total foreign direct investment outflows for 2019.

Table 17 **UAE Flows and Stock Foreign Direct Investment outflows to the UAE for the period 2015-2019 ($ billion)**

Year	Net annual foreign direct investment (flows)	Total cumulative foreign direct investment (Stock)
2015	16.69	97.53
2016	15.71	110.49
2017	14.06	124.45
2018	15.08	139.53
2019	15.90	155.43
Annual growth for 2019 compared to 2018	5.5%	11.4%

Source: Foreign Direct Investment Database, UNCTAD Organization.

Figure 20 UAE direct investment outflows to the world **2015-2019**

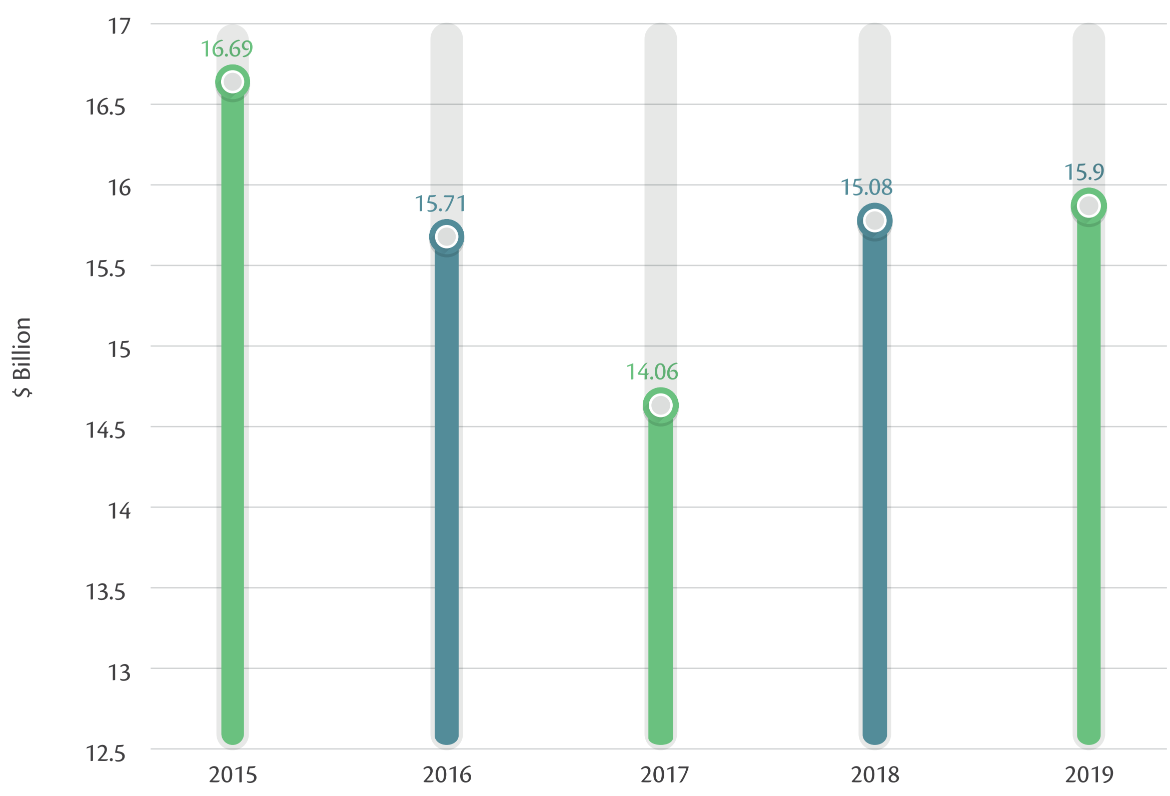


Figure 21 The cumulative balance of UAE direct investment outflows to the world **2015-2019**

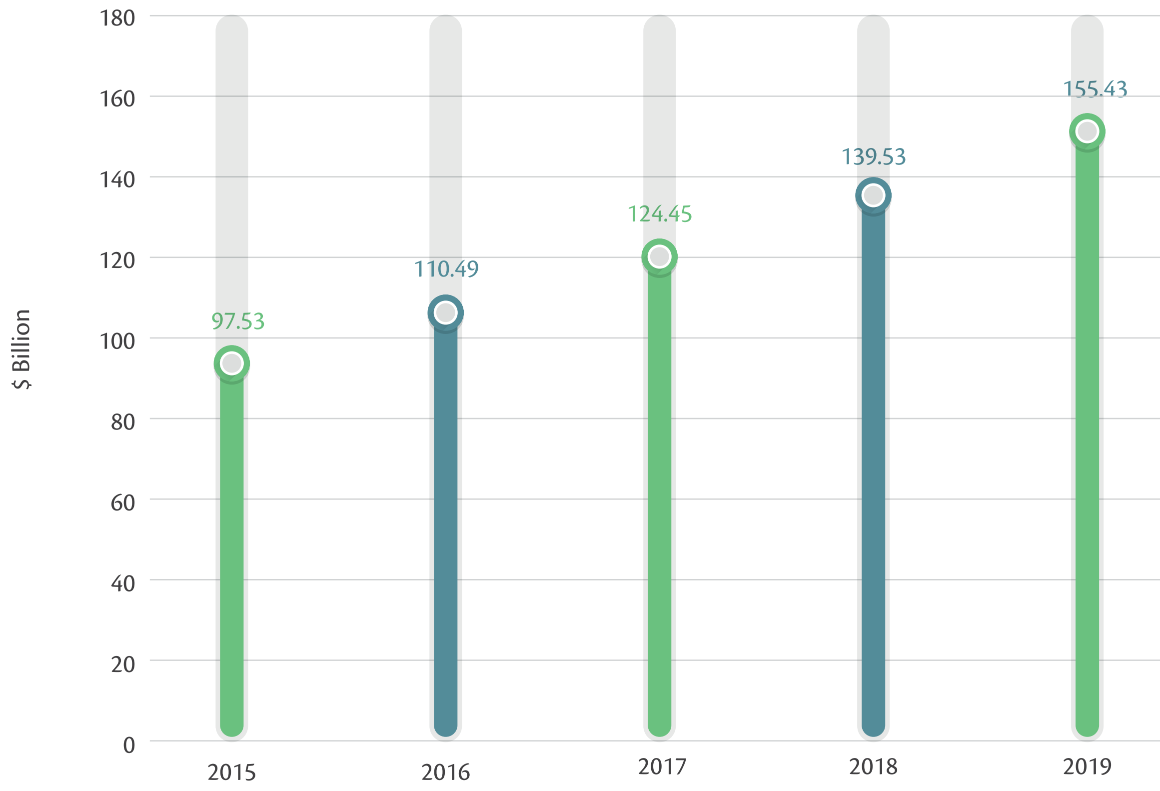
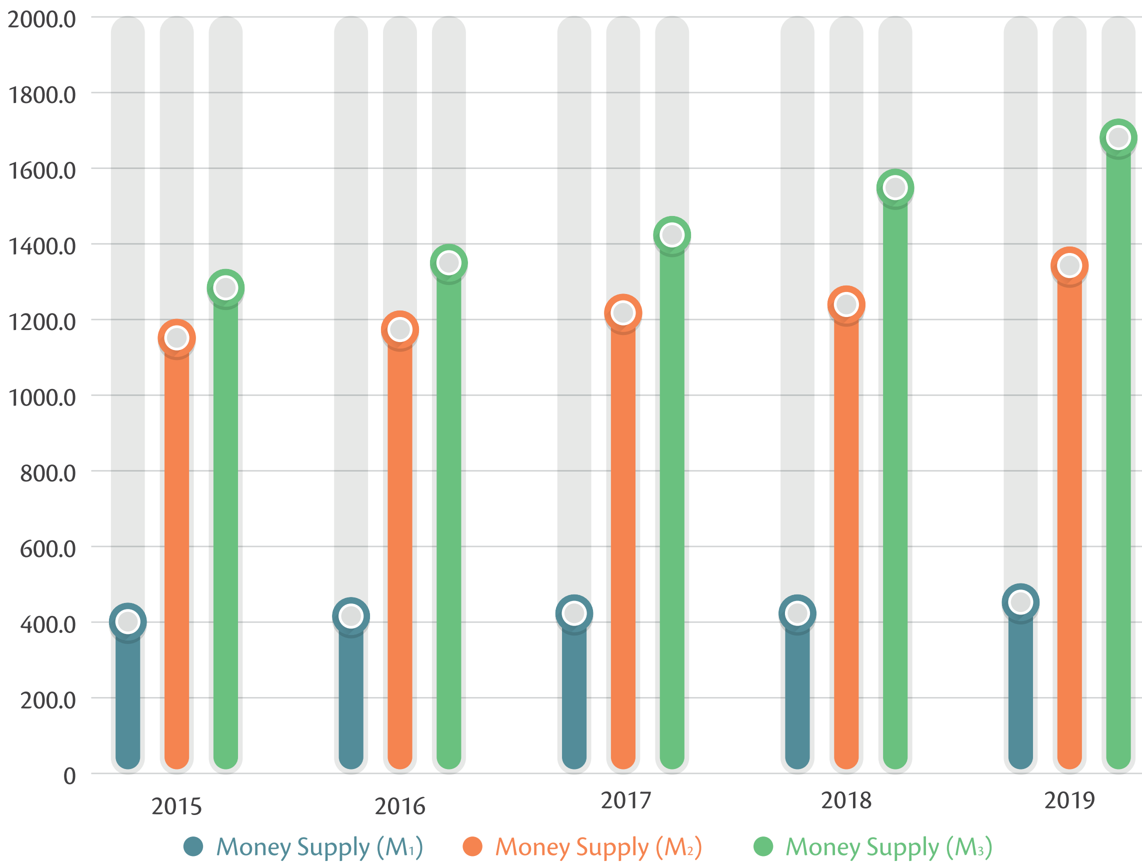


Figure 22 Total liquidity development **2015-2019** (AED billion)



Source: Central Bank of the UAE and Ministry of Economy.

M_1= cash circulated outside banks + monetary deposits (all short-term deposits that residents can withdraw on without prior notice).

M_2= M_1 + quasi money (residents' savings and time deposits in dirhams + residents' deposits in foreign currency).

M_3= M_2 + government deposits.

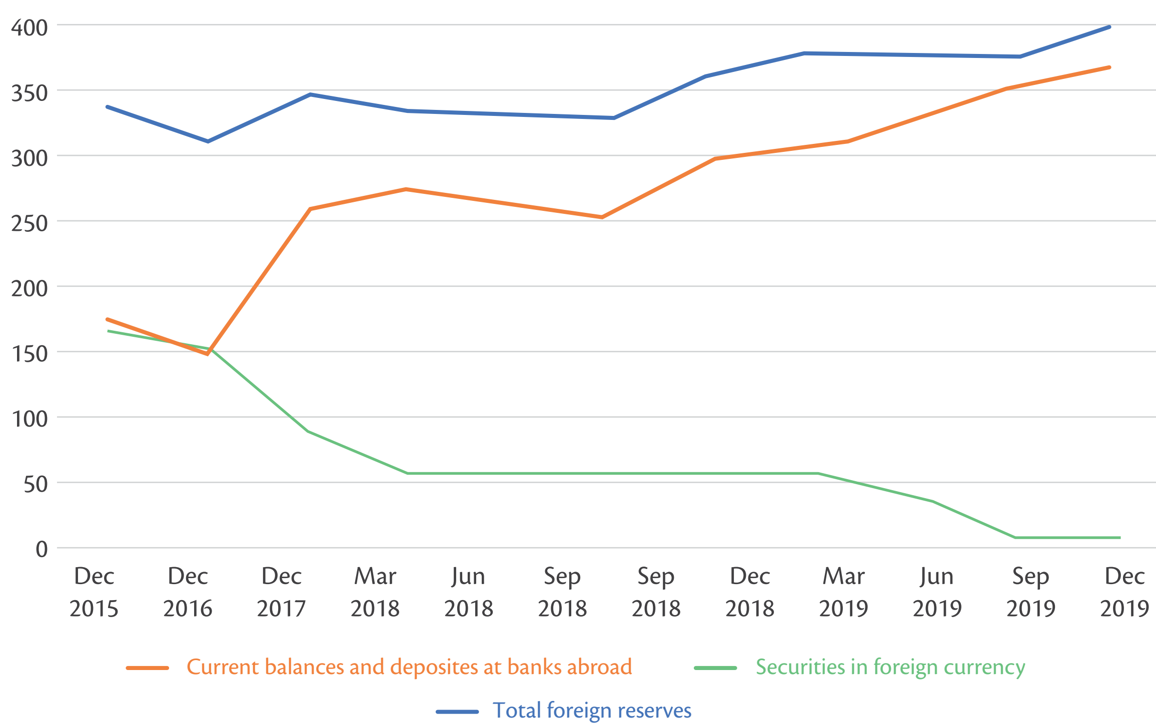
06 Monetary, Banking, and Financial Sector

6.1 Monetary Developments

6.1.1 Liquidity

The broad money supply (M_2) remarkably grew in 2019 by 7.9% to reach AED 1411.5 billion. This strong growth in (M_2) is attributed to the growth of narrow money supply (M_1) by 6%, and the growth of quasi money by 9.0%. The broadest money supply that includes government deposits (M_3) grew by 7.2% to reach AED 1.717.4 billion. This rebound in liquidity was due to the growth of current and time deposits in 2019.

Figure 23 Development of Central Bank's foreign reserves, **AED billion**



Source: Central Bank of the UAE and Ministry of Economy.

6.1.2 Foreign Currency Reserves

The central bank's foreign currency reserves amounted to AED 394.2 billion by the end of 2019, with an increase of 10% compared to the end of 2018. This increase in foreign currency reserves during 2019 is attributed to the increase of current account balances and deposits at banks abroad by 24.4% to reach AED 365.9 billion in December 2019.

6.2 Banking Developments

6.2.1 Banking Structure

The year 2019 witnessed a decrease in the number of licensed commercial banks to reach 59 banks compared to 60 ones in 2018. This decrease was due to the merger of Abu Dhabi Commercial Bank and Union National Bank into one bank which is the new Abu Dhabi Commercial Bank.

Table 18 Structure of banks operating in the UAE **(2018-2019)**

Banks operating in the UAE	December 2018	December 2019
Total number of banks	60	59
National banks	22	21
Foreign banks (including business banks)	38	38
* GCC states' banks	6	6
Foreign banks' share of total assets	12.3%	12.9%
Traditional banks (including business banks)	52	51
Islamic banks	8	8
Islamic banks' share of total assets	20.3%	18.5%

Source: Central Bank of the UAE and Ministry of Economy.

Table 19 Development of bank credit by grantee **(2018-2019)**

Data	year 2018 Value in AED billion	year 2019 Value in AED billion	Annual growth rate %
Total credit	1656.2	1759.2	6.2%
Domestic credit	1509.4	1593.9	5.6%
Government	191.5	258.3	34.9%
(Public sector (government-affiliated entities	167.9	184.6	9.9%
Private sector	1130.0	1134.9	0.4%
Commercial and industrial sector 1	792.6	802.1	1.2%
Including: loans of SMEs	88.8	84.6	-4.7%
Individuals	337.4	332.8	-1.4%
Non-banking financial institutions	20.0	16.1	-19.5%
Credit for non-residents 2	146.8	165.3	12.6%

Source: Central Bank of the UAE and Ministry of Economy.

*Representation of one branch for each of kingdom of Saudi Arabia, Bahrain, Oman, and Qatar, and two branches for Kuwait.

6.2.2 Total Bank Credit

The total bank credit grew by 6.2% in 2019 to reach AED 1759.2 billion, of which AED 1593.9 billion were domestic credit that increased by 5.9% during the year, and AED 165.3 billion were credit provided for non-residents and that grew by 12.6%.

The credit provided for the resident private sector amounted to AED 1134.9 billion, accounting for 71% of domestic credit, while government and public sector accounted for the remaining percentage of 29%. However, the growth of domestic credit in 2019 was driven by the increase of credit granted to the government with a value of AED 66.8 billion (34.9%) compared to the previous year, as well as the increase of credit granted to the public sector (government-related entities) with a value of AED 16.7 billion (9.9%).

By analyzing the credit granted to the private sector, the growth (0.4%) in 2019 was driven by the increase of credit granted to the commercial and industrial sector with a value of AED 9.5 billion (1.2%) to reach AED 802.1 billion, of which AED 84.6 billion were the value of credit granted to SMEs.

Table 20 Distribution of domestic credit by main economic activities (2018-2019)

Economic activity	year 2018 Value in AED billion	year 2019 Value in AED billion	Annual growth rate %
Manufacturing	77	80.3	4.3%
Electricity, water, and gas	17	22.7	33.7%
Real estate	243.6	246.2	1.0%
Transportation, storage, and communication	51.5	56.9	10.5%
Construction	71.9	65.2	-9.2%
Wholesale and retail trade	154	152.6	-0.9%
Mining and quarrying	14.7	10.6	-27.6%
Agriculture	2.0	1.1	-47.0%

Source: Central Bank of the UAE and Ministry of Economy.

1. includes granting loans for residents of discounted commercial papers, insurance companies, and SMEs.

2. includes granting loans for non-residents: granting loans to non-banking financial institutions, discounted commercial papers, loans, and advances [governmental and public sector and private sector [companies and individuals] in local and foreign currencies.

By analyzing domestic credit distribution by economic activity, the credit granted for manufacturing sector increased by 4.3%, given that the increase was concentrated in the credit granted to chemical and petrochemical industry. Moreover, the credit granted to "transportation, storage, and communication" sector rose by 10.5%, to "electricity, water, and gas" sector by 33.7%, and to real estate sector by 1%. By contrast, the credit granted to the agricultural sector decreased by (-47%), to mining and quarrying sector by (-27.6%), to construction sector by (-9.2%), and to wholesale and retail trade sector by (-1%).

Table 21 Distribution of deposits at banks by depositor **(2018-2019)**

Data	year 2018 Value in AED billion	year 2019 Value in AED billion	Annual growth rate %
Bank deposits	1755.6	1870.2	6.5%
Residents' deposits	1542.2	1648.8	6.9%
Government	290.3	303.0	4.4%
Public sector (government-related entities)	207.1	243.7	17.7%
Private sector	1009.3	1057.8	4.8%
Non-banking financial institutions	35.5	44.3	24.8%
Non-residents deposits	213.4	221.4	3.7%

Source: Central Bank of the UAE and Ministry of Economy.

6.2.3 Bank Deposits

Bank deposits grew by AED 114.6 billion (6.5%) in 2019 to reach AED 1870.2 billion. This increase was driven by the increase of residents' deposits by 6.9% to reach AED 1648.8 billion (88.2% of the total bank deposits), and the increase of non-residents' deposits by 3.7% to reach AED 221.4 billion.

The increase of residents' deposits in 2019 with the amount of AED 106.6 billion is attributed to the increase of the private sector's deposits by AED 48.5 billion, the public sector's deposits by AED 36.6 billion, the government's deposits by AED 12.7 billion, and the non-banking financial institutions' deposits by AED 8.8 billion.

Bank deposits were distributed by type of banks to 78.5% at traditional banks and 21.5% at Islamic banks. According to another classification, national banks accounted for 88.6% of bank deposits, while foreign banks accounted for 11.4%.

Table 22 Banks' financial soundness indicators (2018-2019)

Banks operating in the UAE	December 2018	December 2019
Loans-to-stable resources ratio[1]	82.3%	81.0%
Eligible liquid assets ratio[2]	17.5%	18.2%
Capital adequacy ratio (part 1 + part 2)	17.5%	17.6%
Including: part 1 (first capital tranche)	16.2%	16.4%
Common stock share of the first capital tranche	14.3%	14.6%

Source: Central Bank of the UAE and Ministry of Economy.

1 Loans-to-stable resources ratio = total advances ratio (net lending + net financial guarantees and confirmed letters of credit + interbank deposits for a period more than 3 months), to total sum of (net free capital funds + total of other stable resources)

2 Eligible liquid assets ratio = (includes cash on hand, the Central Bank's liquid assets, and eligible bonds / instruments, as stipulated in Article 33/2015 and Basel Principles, and this does not include interbank lending) to total liabilities **

**Total liabilities = total assets in the balance sheet – (capital and reserves + all allocations + refinancing).

6.2.4 Banking Sector Financial Soundness

Banking and financial soundness and robustness indices for 2019 showed that banks operating in the UAE have good capitalization and sufficient and viable liquidity, as the capital adequacy ratio amounted to 17.7%, and the eligible liquid assets amounted to 18.2%, which is higher than the regulatory minimum level of 10% that is required by the Central Bank and Basel III requirements. On the other hand, banking system loans ratio to deposits ratio slightly decreased to 94% by December 2019.

6.3 Financial Markets

- Dubai Financial Market (DFM) general index increased by 9.3% to 2765 by the end of 2019. Similarly, Abu Dhabi securities exchange (ADX) general index increased by 3.3% to reach 5076 by the end of 2019.
- The market value of (DFM) reached AED 375 billion by the end of 2019, an increase of 9.0% compared to the previous year. Similarly, the market value of (ADX) amounted to AED 531.1 billion by the end of 2019, with an increase of 5.1% over 2018.
- The total trading value and total trading volume of (ADX) increased by 43.3% and 0.8% respectively to reach AED 56.8 billion and a trading volume of 15.5 billion shares, while the total trading value and total trading volume in (DFM) decreased by -11.1% and -11.9% respectively to reach a value of AED 53.1 billion and a trading volume of 40 billion shares by the end of 2019.

Table 23 Annual change of main indices of local financial markets in **2019 (%)**

Main indices	Abu Dhabi	Dubai
Stock price index	3.3%	9.3%
Local market value	5.1%	9.0%
Total trading value	43.3%	-11.1%
Total trading volume	0.8%	-11.9%
Number of transactions	40.8%	-0.5%

Source: ADX (Abu Dhabi Securities Exchange) and DFM (Dubai Financial Market).

07 Public Finance

The increase of oil revenues from AED 196.8 billion in 2018 to AED 197.0 billion in 2019, the increase of other public revenues from AED 280.9 billion in 2018 to AED 281.2 billion in 2019, the development of profits of joint-stock companies from AED 149.6 billion to AED 149.8 billion in 2019, in addition to the growth of non-tax revenues from AED 462.3 billion in 2018 to AED 462.8 billion in 2019, led to the growth of public revenues in the State budget by 0.1% from AED 477.7 billion in 2018 to AED 478.3 billion in 2019. With the State continuing to pursue its rational and balanced financial policy by controlling and rationalizing current spending, increasing levels of economic diversification, and supporting human and social development, public spending consequently developed from AED 388.2 billion in 2018 to AED 393.5 billion in 2019, with a growth rate of 1.4%, as a result of the growth of the State's public revenues during 2019 over the State's public expenditures for the same year, which led to achieving a surplus in the State's balance sheet during 2019 amounting to AED 84.8 billion.

Table 24 The State's public revenues and expenditures for **(2018-2019)**

Data	**2018**	**2019***	Change rate 2018/2019%
Total public revenues	477.740	478.253	0.1%
Total public expenditures	388.209	393.479	1.4%
Final surplus / deficit	89.530	84.774	-

Source: United Arab Emirates, Federal Competitiveness and Statistics Centre, Preliminary data 2019, December 2020.

2020

03

Third: Population and Workforce

01 Population

According to the World Bank database, the UAE population has developed from about 9.6 million in 2018 to about 9.8 million in 2019, with a population growth rate of 2.1%. According to the Federal Competitiveness and Statistics Authority, the total number of UAE population, citizens and resident expatriates, amounted to 9.4 million in 2018 compared to 9.5 million in 2019, with a population growth rate of 1.1%.

Expatriates from more than 200 nationalities are living and working in the UAE, whose number exceeds the State's population. The Indian community is one of the largest expatriate communities residing in the State, followed by the Pakistani, Bengali, and other Asian, European and African nationalities.

02 Workforce

According to the Federal Competitiveness and Statistics Authority's data, the number of workforces in the UAE developed from 7.4 million workers in 2018 to 7.6 million ones in 2019, with a growth rate of 2.7%. The number of workers also increased from 7.2 million workers in 2018 to 7.4 million ones in 2019, with an increase of 2.8%. By contrast, the number of unemployed roses from 165,000 workers in 2018 to 168,000 ones in 2019, while maintaining the unemployment rate at 2.2% during 2018 and 2019.

Table 25 Workforce, laborers, and unemployed in the UAE for **2018-2019**

Data	2018	2019*	Change rate 2018/2019%
(Number of workforce (million	7.4	7.6	2.7%
(Number of laborers (million	7.2	7.4	2.8%
(Number of unemployed (thousand	164.7	168.3	2.2%
% Unemployment rate	2.2%	2.2%	-

Source: United Arab Emirates, Federal Competitiveness and Statistics Centre, 2020.

2.1 Distribution of workers' compensation by economic sectors

The proportional distribution of workers' compensation by economic sectors for 2019 indicates that the public administration and defense and compulsory social security sectors came at the forefront of economic sectors in terms of the percentage of State's workers' compensation value, which amounted to AED 96.1 billion, with a rate of 18.6% of the total value of workers' compensation during 2019. This was followed by the wholesale and retail trade and motor vehicles repair sectors with a value of AED 70.4 billion, and a rate of 13.6% of the total compensation value, then the construction and building sector with a value of AED 56.1 billion, and a rate of 10.8% of the total compensation value, then transport and storage sector with a value of AED 46.0 billion and a rate of 8.9% of the total compensation value, and manufacturing industries sector with a value of AED 45.2 billion, and a rate of 8.7% of the total compensation value. The total compensation value for workers in the five sectors amounted to AED 313.8 billion, and a rate of 60.6% of the total wages and compensation of workers in the State during 2019.

Table 26 Estimates of workers compensation (wages volume) by economic sectors for **2018 and 2019**

AED Million

Sectors	Workers compensation 2018	%	Workers compensation 2019	%
Agriculture, forestry, and fishing	3,882	0.8%	3,919	0.8%
(Extractive industries (including crude oil and natural gas	20,430	3.9%	20,775	4.0%
Manufacturing industries	45,096	8.8%	45,233	8.7%
Electricity, gas, water, and waste management activities	8,321	1.6%	8,945	1.7%
Construction and building	56,439	11.0%	56,060	10.8%
Wholesale and retail trade and motor vehicle and motorcycle repair	68,974	13.5%	70,416	13.6%
Transport and storage	44,112	8.6%	46,034	8.9%
Residence activities and food services	17,549	3.4%	17,560	3.4%
Information and communication	14,125	2.8%	13,986	2.7%
Financial and social security activities	24,996	4.9%	26,080	5.0%

Sectors	Workers compensation 2018	%	Workers compensation 2019	%
Real estate activities	8,923	1.7%	8,425	1.6%
Vocational, scientific, and technical activities	30,229	5.9%	30,482	5.9%
Administrative and support service activities	17,473	3.4%	17,542	3.4%
General administration and defense and compulsory social security	95,723	18.7%	96,130	18.6%
Education	19,461	3.8%	19,848	3.8%
Human health and social service activities	18,796	3.7%	19,257	3.7%
Art, entertainment, promotion, and other sevice activities	6,529	1.3%	6,586	1.3%
Activities of household as employer	10,145	2.0%	10,042	1.9%
Total	511,204	100.0%	517,320	100.0%

Source: Federal Competitiveness and Statistics Centre, preliminary figures, December 2020.

Figure 24 Proportional distribution of workers compensation by economic sectors in **2018**

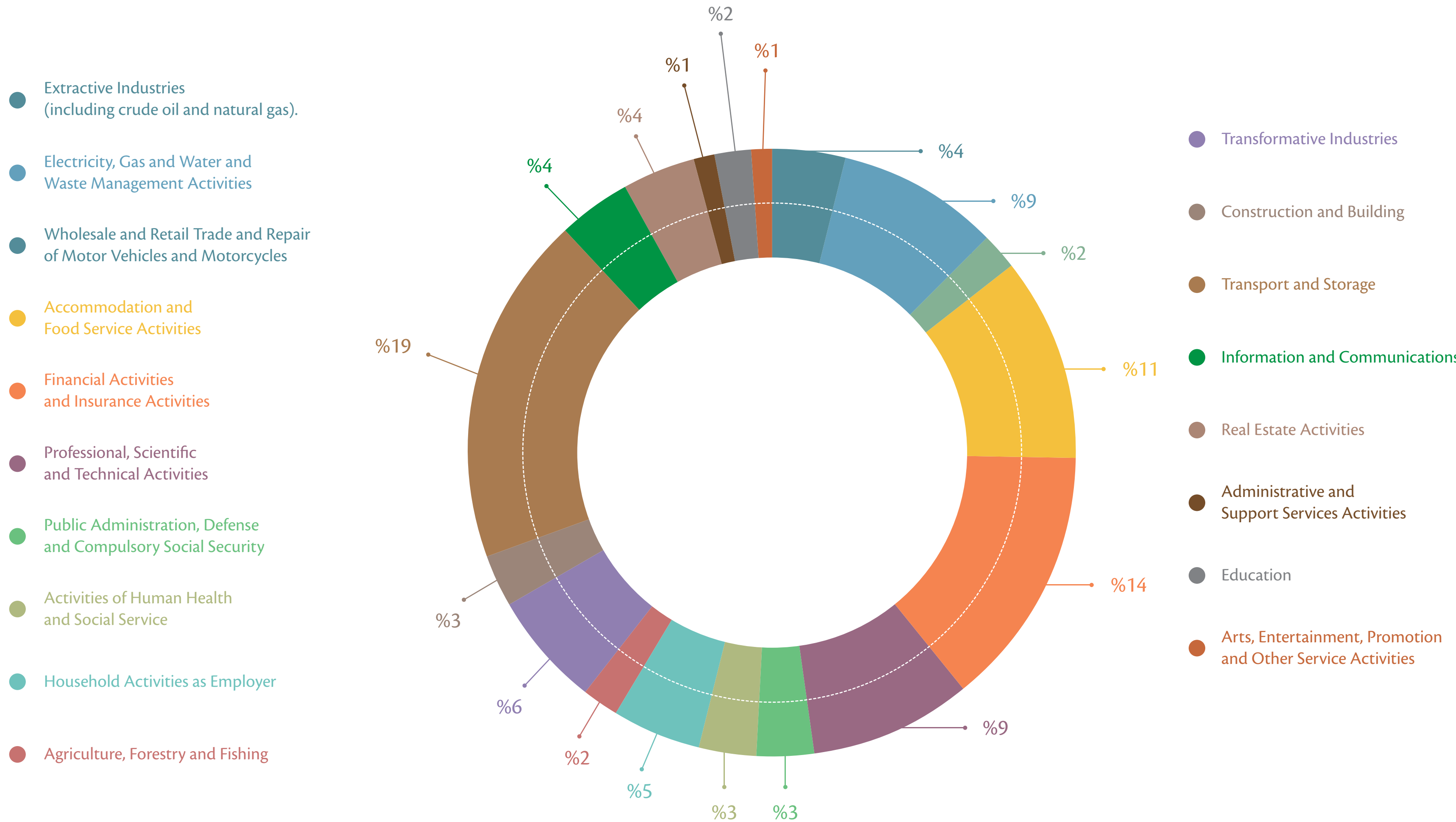
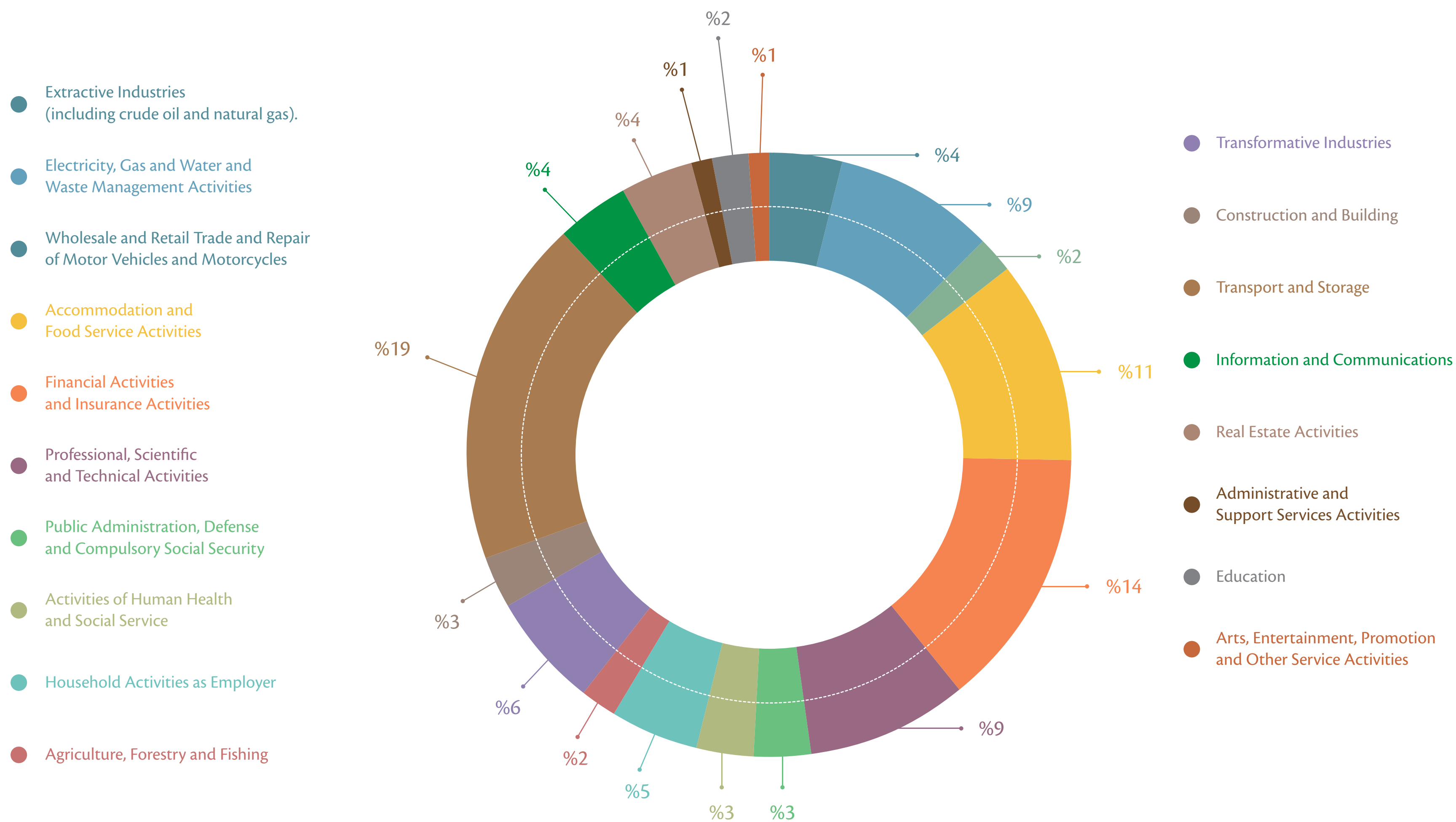


Figure 25 Proportional distribution of workers' compensation by economic sectors in **2019**



2020

04

Fourth: Economic Issues

The UAE governmental response to the repercussions of novel Corona virus **(COVID-19)** epidemic on the UAE economy and recommendations of the “Economic Cooperation and Development Committee”

Introduction

- The UAE’s strategy to manage Corona crisis was based on taking strict measures and preventive actions to contain the disease and prevent its spread through developing procedures for monitoring cases at entry points into the State’s territory, promoting proactive case detection by expanding laboratory tests, providing specialized and appropriate quarantine places and appropriate treatment protocols for cases, as well as active contact tracking, add to that taking standard measures to limit disease transmission such as disrupting education institutions, suspending flights from and into the State, stopping all public events, preventing gatherings, and closing public places such as shopping centers and parks. In order to alleviate the impact of this crisis on business sector, consumers, and borrowers, the Central Bank of the UAE along with all federal and local government entities have provided financial incentives and economic support plans to ensure the continued injection of cash liquidity and reduce the financial burden on business enterprises.
- The UAE is one of the most active countries in the Middle East and North Africa Region in providing financial and cash incentives to support its markets, banks, and various institutions and economic activities to face the economic repercussions resulting from the spread of Corona pandemic. The incentives and measures taken by the State are characterized by diversity, whether in terms of the donors or the beneficiaries of these incentives. The donors included both the federal government and local governments of the seven emirates, while the beneficiaries of the incentives were not only limited to official economic entities and large private companies, but also individuals, entrepreneurs, projects, and SMEs.

First: Expansionary monetary policy and comprehensive economic support plan from Central Bank of the UAE

The Central Bank of the UAE reduced the monetary policy interest rate twice since the beginning of 2020, with a total value of 125 basis points, in line with the decrease of interest rate on the US dollar following the Federal Bank's decision to reduce interest rates on federal funds which would enhance credit and support economic activity in the State.

Providing additional liquidity to the banking sector to boost credit operations and support economic activity

The Central Bank of the UAE has approved a number of expansionary monetary policy measures and procedures, which were manifested in approving lending and reducing capital standards, and adopting new regulations. The total value of capital and liquidity measures approved by the bank amounted to AED 256 billion.

- A financial support plan of credit amounting to AED 50 billion for loans and advances at zero cost targeted at banks operating in the State, covered by guarantee, in addition to AED 50 billion released from the banks' additional protective capitals.
- Enabling banks participating in the targeted comprehensive economic support plan to withdraw a third of their current statutory liquidity reserves. Consequently, this will give banks the flexibility necessary to maintain a minimum liquidity coverage ratio of 70%, and reduce the minimum eligible liquid assets ratio to 7%. The total value of the statutory liquidity reserve to be released is estimated at AED 95 billion, and that liquidity will be used to offset the impact of providing the guarantees required in the targeted comprehensive economic support plan.
- Reduction of compulsory reserve ratio of demand deposits by half for all banks, as it was reduced from 14% to 7%, which will enhance liquidity and inject an estimated AED 61 billion of liquidity in the banking sector that can be used to support bank lending to the national economy sectors and manage their liquidity.

Support for private sector borrowers

- Providing temporary exemption from principal of debt and interests payments on existing loans for private sector companies and individuals extending until the end of 2020.
- Adopting new regulations to reduce fees incurred upon merchants when clients pay with debit or credit cards.
- Adopting new regulations to set limits for fees imposed by banks on SMEs, and to require banks not to demand a minimum account balance that exceeds AED 10 thousand.

Second: Federal government's actions to reduce financial burdens

The Cabinet approved a package of initiatives worth AED 16 billion to support business continuity and provide additional stimulus for the national economy, thus complementing the economic packages launched by local governments. This package included financial support measures for the State's citizens and residents, aiming to reduce financial burdens on individuals, families, and economic sectors and ensure the continuity of effective governmental action.

Reducing Financial Burdens on Affected Economic Sectors

- Reducing electricity and water consumption bills by 20% for the tourism, commercial, and hotel sectors registered at the Federal Electricity and Water Authority for 3 months, at a total estimated cost of AED 86 million.
- Freezing water and electricity service restoration fines ranging from AED 3000 to 5000 for 3 months starting from April 2020, in addition to cancelling administrative fees accounting for 20% of electricity and water connection applications for 3 months, starting from April 2020.
- Postponing collecting the instalments of fees of connection and restoring service for malls, shops, hotels, hotel apartments, and factories for 6 months.
- Directing factories to support the needs of the State's health sector.
- Measures to support the stock market, most notably extending the deadline for financial disclosures for the data of 2020.

Reducing financial burdens on individuals and families and ensuring the continuity of governmental services

- Extending residents' expired residency permits on March 1 for 3 months, and exempting expired residencies from financial violations until the end of 2020.
- Stopping the calculation of administrative fines for violations of the Federal Authority for Identity and Citizenship's services starting from April 1, 2020.

- Granting temporary license for the project of using digital transaction technologies for the notary's work, for everyone to complete their judicial transactions easily.
- Extending the validity of governmental services ending on March 1, 2020 for 3 months.
- Approving vehicle registration without paying traffic violations or conducting vehicle technical inspection.

Third: Economic incentives provided by local governments in all the emirates

All local governments in the seven emirates have taken financial support packages that were manifested in exemptions and reductions of fees and violations and economic incentives to support various economic activities, concentrating on the affected sectors and SMEs.

Abu Dhabi

Financial packages to support society and companies and add resilience and stability to local economy Abu Dhabi government has launched a new package of initiatives through its various departments and institutions along with "Ghadan 21" program, aiming to support economic activities, reduce living costs, facilitate doing businesses, and support the private sector, giving priority to startups and SMEs, to preserve Abu Dhabi's economic gains. These initiatives include:

Facilities for companies and SMEs

- Abu Dhabi Department of Economic Development (ADDED) has canceled violations and fines on delaying the renewal of economic licenses, as the decision included about 72,000 licenses, with a total of AED 246 million, which helps reduce costs for these companies operating in Abu Dhabi.
- Allocating AED 3 billion for the credit guarantee program to stimulate financing SMEs by local banks, that is managed by Abu Dhabi Investment Office (ADIO), with a view to enhance these companies' ability to overcome the current market circumstances.
- Paying all agreed-upon government liabilities and invoices to companies within 15 working days.
- Stopping work in bid guarantees to reduce financial burdens on companies and exempting start-ups from performance bond guarantee for projects whose value reaches up to AED 50 million.
- Cancelling real estate registration fees for 2020.
- Forming a committee chaired by the Department of Finance, with the membership of the Department of Economic Development and local banks to follow up borrowing programs for Abu Dhabi local companies under current circumstances.
- Launching an initiative worth AED 1 billion by Abu Dhabi Fund for Development (ADFD) to support affected companies.
- Implementing a package of measures through Khalifa Fund for Enterprise Development (KFED) to ensure the continuity of SMEs, including supporting 496 projects, delaying instalments for three months, and providing loans for stalled projects.
- Allocating 15% of the annual government purchases and contracts for MSMEs.
- Joint efforts between First Abu Dhabi Bank (FAB), Abu Dhabi Islamic Bank (ADIB), and Abu Dhabi Commercial Bank (ADCB), in cooperation with the Finance Department and the Department of Economic Development (DED), to provide immediate support to SMEs in the emirate.

Financial support and fee exemptions for commercial and industrial sectors

- Allocating AED 5 billion to subsidize electricity and water for citizens and commercial and industrial sectors.
- Subsidizing electricity connection fees for start-ups until the end of the year.
- Exempting all commercial and industrial activities from real estate registration fees for this year.
- Exempting all commercial and industrial activities from documentation fees for this year.
- Reducing industrial land lease fees by 25% for new contracts.
- Exempting commercial vehicles from registration fees until the end of the year.

Creating balance in the financial market and supporting restaurant and tourism sectors

- Allocating AED 1 billion to establish the Market Maker Fund, to provide liquidity and create a continuous balance between supply and demand for shares.
- Providing cashback of up to 25% of the rental value of restaurant, tourism, and entertainment sectors.
- Cancelling all tourism and municipal fees for tourism and entertainment sectors for 2020.

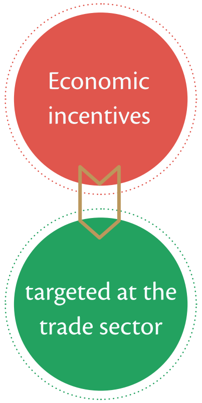
Financial facilities for individuals

- Subsidizing electricity and water for citizens.
- Exempting all vehicles from toll gates fees until the end of the year.
- Stopping the execution of rental evictions and executive procedures.
- Postponing the collection of rent and service fees for tenants.
- Cancelling real estate registration fees for 2020.
- Joint efforts between (FADB), (ADIB), and (ADCB), in cooperation with the Finance Department and (DED), to provide immediate support for individuals.

Dubai

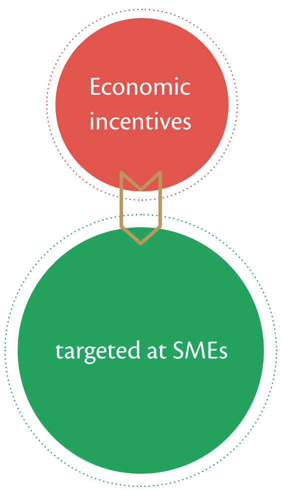
Package of economic incentives targeted at economic and business sectors

Dubai government has launched a package of economic incentives worth AED 1.5 billion that includes fifteen initiatives that serve the retail, trade, tourism, and energy sectors in the emirate and help reduce costs for the business sector and all residents of the emirate.



- Reducing costs related to registration, licensing, and related administrative fees by 50 to 70% for companies operating in Jebel Ali Free Zone (Jafza).
- Refunding 20% of the 5% customs tariff paid for imported goods that are sold locally, on imports of all goods sold in the local market.
- Canceling the guarantee of practicing customs clearance activities, which is set at AED 50,000,

- with refunding guarantees provided to the existing customs clearance companies.
- A reduction of 90% on the fees of submitting customs documents to companies.
- Cancelling the banking instrument requirement when submitting customs grievance applications.
- Exempting traditional wooden commercial vessels registered in the State from mooring service fees for arriving and departing vessels, and direct and indirect loading fees at Dubai Port and Al Hamriya Port.
- Exempting companies from fees of new sales permits and commercial offers to boost foreign trade and enhance competitiveness.



- Cancelling the down payment requirement set at 25% for the applicant to pay the licensing and renewal of license fees in instalments to support SMEs.
- Renewing commercial licenses without compulsory renewal of lease contracts.

- Freezing the 2.5% market fee.
- Reducing municipality fee by 50% on hotel sales, so that the fee will be 3.5% instead of 7%.
- Exempting companies from fees of postponing and cancelling tourism and sport events for 2020.
- Freezing applying classification fees to hotels.
- Freezing applying tickets, issuance of permits, and government fees to entertainment and business events.

- Reducing costs for business sector and the living cost in relation to energy during the next three months for all citizens and residents as well as the business sector by deducting 10% of the value of water and electricity consumption bills for residential, commercial, and industrial establishments, and reducing 50% of the insurance premium.
- Dubai free zones launched an additional package of economic incentives, as a contribution to enhance and support the business sector in Dubai and mitigate the effects of the current economic situation. The package addressed five axes including:
- Postponing rent payment up to six months.
- Facilitating financial payments through easy instalments on a monthly basis.
- Refunding many amounts of insurances and guarantees.
- Cancelling many fines for companies and individuals.
- Allowing the free movement of workers in companies and sectors operating in the free zones through permanent or temporary contracts and without fines during 2020.
- Dubai World Trade Center launched a package of economic incentives that was manifested in the following:
- Exemptions on annual licensing fees for new companies registered within three months, and a 10% reduction for companies eligible for renewal during the period from April 1 to June 30, 2020.
- Postponing payments due on leased properties of DIFC Investments Ltd. for a maximum period of six months, starting from April 1.
- Reducing ownership transfer fees from 5% to 4% during the next three months.

Sharjah

In its session no. 951 held in March, 2020, Sharjah Executive Council approved the largest package of incentives that includes 53 initiatives and decisions that aim to stimulate Sharjah private and family sectors.

The packages included economic incentives to support tourism, transport, business, and foreign trade sectors as well as companies and individuals.

Incentives targeted at business and corporate sectors

- Exempting economic establishments from license renewal fees for 3 months during 2020.
- Exempting investors dealing with the Department of Town Planning and Survey from paying contractual dues for 3 months.
- Exempting shipping and customs clearance companies from banking guarantees.
- Exempting trading companies from inspection, new licenses, and renewal of municipal permits fees for 3 months.
- Exempting companies operating in the free zones from visa fees and license renewal delay fines.
- Postponing the instalments of some bank-funded projects for 3 months.
- Deducting 50% on companies' shares transfer fees.
- Postponing paying the instalments of projects funded by Sharjah SMEs (RUWAD) for 3 months.
- Exemption from municipality approval for renewal of contractors' and consultants' licenses for 3 months.
- Exempting hotel establishments from the 5% municipality fees for 3 months.
- Exemptions and deductions on different exhibitions fees during 2020.
- Deducting 50% for shops and malls participating in marketing campaigns for 2020.
- Reducing within-the-airport rent by 50% for 3 months for restaurants, exchange houses, commercial shops, banks, travel agencies, and communication, tourism promotion, and car rental companies.

Incentives for tourism sector

- Exempting hotel establishments from the 5% municipal fees for 3 months.
- Exemptions and deductions on different exhibitions fees during 2020.
- Deducting 50% for shops and malls participating in marketing campaigns for 2020.
- Reducing within-the-airport rent by 50% for 3 months for restaurants, exchange houses, commercial shops, banks, travel agencies, and communication, tourism promotion, and car rental companies.

Incentives for ports and maritime transport sector

- Exempting commercial and wooden vessels from fees of mooring and loading in Khor Sharjah, Al Hamriya free zone, and Khor Fakkan.

- Exempting all bulk cargo from storage fees for 90 days.
- Reducing tariff of truck parking in Sharjah ports by 50%.
- Reducing port operation fees by 20% as well as maritime fees.

Incentives for free trade enterprises

- Exempting companies operating in the free zones from license renewal delay fines.
- Exemptions from fees of visas in free zones.
- Deducting 50% on companies' shares transfer fees.
- Exempting all new licenses from fees according to business activity.

Incentives for entrepreneurial SMEs

- Postponing the payment of instalments for enterprises funded by the corporation for 3 months.
- The possibility of postponing the instalments of banks-funded enterprises for 3 months in coordination with banks and according to the situation of each enterprise separately.
- Exempting SMEs affiliates in (Tijarah 101) Center from rental fees until the end of 2020.

Incentives targeted at public transport and individuals

- Exempting from police public driving licenses fees for 3 months.
- Exempting from sewage services fees for houses for 3 months, and deducting 10% of the electricity bill.
- Releasing about 100 prisoners imprisoned on rental issues and granting them 3 months for payment.
- Deducting 50% on the violations of Roads and Transport Authority for 3 months starting from April 1, 2020.
- Deducting 25% on taxi plates rental fees for 3 months starting from April 1, 2020, and exempting taxis and public transport network operator for 3 months starting from April 1, 2020.

Ajman

Incentives and initiatives to support various economic activities

Incentives to support individuals and economic establishments

- A 30% exemption from hygiene fees until the end of 2020.
- A 20% exemption from lease contracts ratification fees for 3 extendable months.
- A 100% exemption from economic activity practice permits fees for 24 hours for selected activities.
- Postponing the payment of outstanding violations for all economic establishments until the end of the current year.
- Stopping the calculation of delay fines for all economic establishments.

Incentives to support tourism and hospitality sector

- A 100% exemption for hotel classification fees until the end of 2020.
- A 100% exemption for events delay or cancellation fees until the end of 2020.
- A 50% exemption for sales permits and commercial offers fees for 3 extendable months.
- Exempting tourism establishments from one-year license fees and suspending parking fees for one extendable month.
- Exempting hotel and tourism establishments from registration fees until the end of the current year 2020.
- Stopping the calculation of delay fines for all hotel and tourism establishments.
- Postponing the payment of outstanding violations until the end of the current year for all hotel and tourism establishments.

Incentives to support foreign trade sector

- The possibility to pay customs fees at easy payments during 90 days.
- Reducing insurance fees on containers by 50% for each one until the end of June, 2020.
- Extending the period of submitting original shipping documents from 2 to 4 renewable months.
- Extending the free period of storing containers from 10 to 20 days.
- Cancelling the collection of insurance premiums on submitting original shipping documents for 2 renewable months.

Incentives to support real estate sector

- Stopping the calculation of administrative fines for the violations of renewing registration of practicing real estate activities, the violations of renewal of real estate broker card, the violations of renewal of the Owners Association activity practice, the violations of renewal of real estate developer registration, the violations of renewal of real estate project registration, and the violations of extending the term of real estate project.
- Extending the registration renewal period for each of the specialized engineering consultant, accountant, and financial auditor.
- Granting no-objection certificate regarding changing both the contractor and real estate project consultant.
- Extending the period of advertising permits.

Ras al Khaimah

AED 50 billion stimulus package to support companies

Incentives to support individuals, SMEs, and manufacturing companies

- Rental exemptions for 3 months.
- A 15% deduction on the total renewal package for SMEs operating in the joint and private offices, and flexible options to pay in instalments.

- Exemption from insurance premium on new residence visa applications and a 25% deduction on new visas for family members.
- Exemption from checks delay, discount cards, and activity change fees.
- A 50% deduction on the license cost for manufacturing companies, along with flexible options to pay in instalments.
- Exemption from manufacturing license renewal delay fines and from checks postponement fees. A 25% deduction on new workers' accommodation applications.
- Absolute exemption from entering to the establishments of Ras Al Khaimah Economic Zones (RAKEZ).

Incentives to support tourism sector

- Exemption from tourist licenses fees for 6 months.
- Exemption from "Tourism Dirham" fees from March to May, 2020.
- Exemption from tourism licensing fees for the second and third quarters of 2020 and from tourism licensing fees until the end of September.
- Allowing companies to participate in a group of exhibitions and promotional tours that will start free of charge in 2020 and 2021.

Fujairah

Exemptions from fees and taxes to support various economic activities

Procedures taken by Fujairah government were concentrated on exemptions from licenses fees and local taxes for the current year starting from January 1 to December 30, 2020, for commercial and tourism activities, popular markets, malls, hotels, food stores, small shops, wedding halls, and saloons.

Umm Al Quawain

Package of economic incentives to support individuals and business sectors

- Reducing 50% of fees for new licenses and renewal of licenses of all kinds (commercial, industrial, vocational) at the Department of Economic Development (DED), and cancelling of fines (delay fines for expired licenses) on Umm Al Quawain economic companies and institutions of all kinds (commercial, industrial, vocational) at the Department.

- Reducing 50% of fees on the activities of Umm Al Quawain Chamber of Commerce and Industry.
- Exempting the licensed establishments and institutions affected by the suspension of service decision in the emirate from fees and fines regarding activities whose services are still suspended.

Fourth: Recommendations and Initiatives Proposed by the Economic Cooperation and Development Committee on the Short and Mid Term

The Economic Cooperation and Development Committee was formed on the margin of the UAE Economic Forum 2019, by virtue of ministerial decision no. 253 for 2019, and it was chaired by the Ministry of Economy with the membership of economic experts and representatives of Departments of Economic Development in the seven emirates. The committee conducts joint studies and researches, provides consultancy and support for decision-makers on economic issues, and makes brainstorming to come up with feasible innovative solutions for the economic challenges the State is undergoing.

Economic Cooperation and Development Committee's recommendations about proposed initiatives for federal governmental bodies

The Economic Cooperation and Development Committee recommends a number of proposed initiatives in response to the repercussions of Covid-19 crisis on the UAE economy, which will reduce financial burdens on individuals and businesses.

The following is a review of the initiatives proposed to the federal governmental bodies on the short term:

Ministry of Economy

- Disengagement of paying federal fees included in the pay bills to renew commercial licenses.
- Utilizing societal contribution fees to support companies to retain their workers and continue to pay their salaries.

Ministry of Economy and Departments of Economic Development

- Cancelling former violations related to licenses issued by local and federal departments of development to urge and encourage companies to return to the UAE market, renew their licenses, and carry out their businesses.

Relevant local and federal government bodies

- Reviewing all fees related to tourism establishments such as hotels, travel and tourism offices, and tourist restaurants for 2020 and 2021.

Central Bank of the UAE

- The Central Bank intervened to urge banks to grant loans free of interest or easy financing for SMEs, at interest prices that do not exceed 2%, and set appropriate mechanisms to prove payment of loan in covering employees' salaries.
- Encouraging banks to restructure loans through postponing instalments and without increasing interests for debtors of business sector and individuals in 2020.
- Urging banks to reduce the minimum level for opening or continuing accounts of individuals and SMEs.

Ministry of Finance

- Studying or reconsidering the value-added tax (VAT) to provide facilities for companies.
- Speeding up the input VAT refund during 7 days.

Ministry of Human Resources and Emiratization

- Cancelling the "assessment and guidance" fees upon annual renewal.
- Cancelling fines resulting from the establishments' failure to implement decisions related to Emiratization starting from the beginning of March 2020 until the end of the year, and postponing the payment of fines incurred upon them previously.

Telecommunications Regulatory Authority

- Reducing communication service fees and data costs by 50% or at cost, whichever is less.

Federal Authority for Identity and Citizenship

- Cancelling fee of electronic immigration system guarantee worth AED 5000 and returning security amounts to investors to activate and stimulate labor market.

Federal Electricity and Water Authority

- Further reduction on electricity and water tariffs and on the increase of electrical loads especially for factories and hotels.

Federation of U.A.E Chambers of Commerce and Industry

- Considering reducing commerce chambers membership fees, and particularly reducing or cancelling fees on professional activities of micro-enterprises.

Ministry of Interior – General Administration of Civil Defense

- Freezing fees of registration in systems, training, and others.

Post service

- Encouraging delivery companies and express mail providers to reduce fees of local consignments delivery to encourage e-commerce.

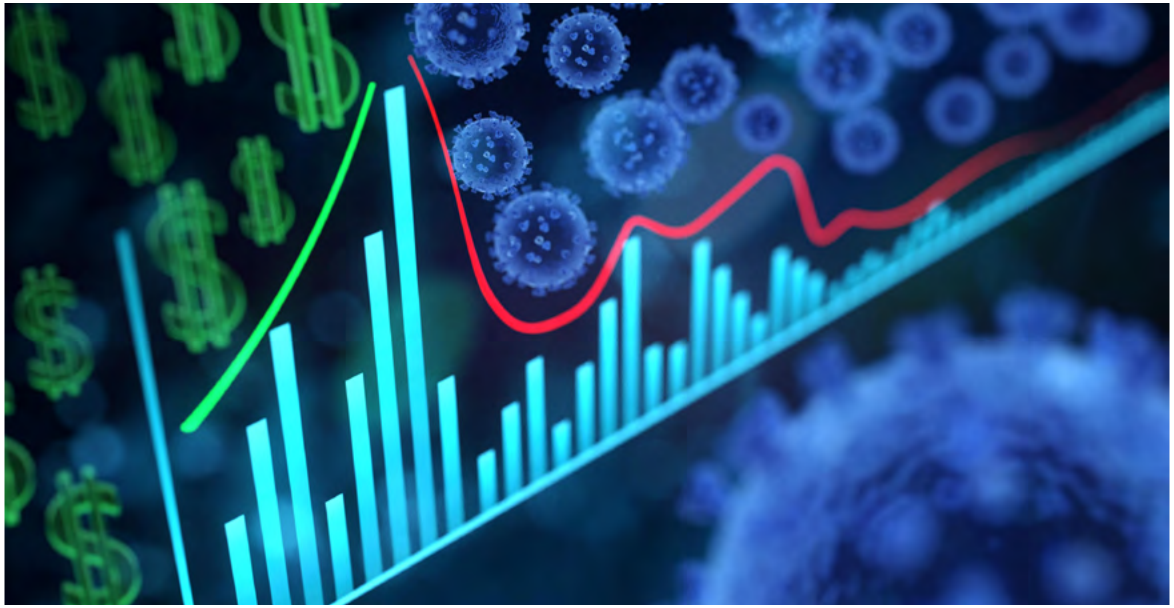
Economic Cooperation and Development Committee's recommendations to respond to Covid-19 repercussions on the UAE economy on the short term

- Continuing to provide economic and financial support targeted at the affected economic sectors after 2020, to ensure the recovery of these sectors, along with regular reviewing of economic packages launched by various federal and local bodies and the Central Bank to redirect them according to economic updates.
- Redoubling efforts related to coordination with major trading partners regionally and globally for the continuity of foreign trade flow, especially national exports, basic food commodities imports, and production inputs, and working to diversify the import base of food commodities and production inputs in terms of origin.
- Preparing economic and commercial agreements with a number of countries distinguished in the sectors that have great impact on the State's economy and which are based on technology transfer and localization.
- Supporting small-scale food producers especially youth citizens and providing them with in-kind assets and production inputs such as seeds, compost, irrigation systems, and insecticides for breeding sheep and livestock and producing short-cycled seasonal crops.
- Ensuring the continuity and increase of agricultural production to fill the possible food shortage on the national level through promoting the ability of obtaining loans, enhancing production inputs, and increase the area of state-owned rented lands.
- Directing merchants and investors to invest in e-commerce and the latest investment opportunities related to public health and safety and medicines, and providing incentives such as fee exemptions, as they contribute to sustain aggregate demand for local products through the continuation of basic commodities consumption rates that serve a large part of malls, restaurants, groceries, and other retail shops while meeting general safety standards by reducing traffic.
- Establishing a national governmental program to guarantee loans provided by commercial banks to the private sector, especially micro and small enterprises.
- Reducing rents and exempting lands rental in specialized economic zones and free zones for 2020.
- Encouraging real estate owners to reduce the value of rent for the business sector and individuals.
- Encouraging large companies to merge SMEs in their value chains, give them priority in the area of sales and contracts, and allow them to postpone the payment of rents incurred upon them or exempt them from payment during the crisis.

- Creating virtual network to link large and medium-sized enterprises with small and micro ones to increase the local content in their supply chain and enhance back and front overlap among them.

Economic Cooperation and Development Committee's recommendations for post-Covid-19 period's repercussions on the UAE economy on the mid-term

- Issuing a new law on social security for workers of private sector and employees who are not included in the civil and military pension, as the existence of social security institutions is very important for they undertake paying salaries for disruption of work and provide advances for workers and unemployed under such circumstances. This will allow to retain skilled workforce and ensure the continuity of income flow that strengthens the ability for consumption and consequently production, noting that the government will not shoulder any financial burdens, as the revenues of this institution come as deductions from the salaries of workers and part of employers at low rates. This deduction is returned in the form of future pension for citizens working in the private sector on one hand, and represents savings for non-national workforce that are due to the worker or employee upon ending work in the State.



- Activating a new smart agricultural strategy based on the expansion of local agricultural sector due to its great importance in achieving the State's food security, especially in such circumstances where many countries have taken protective and lockdown strategies.
- Coordination and cooperation with Arab governments to take coordinated measures to remove all restrictions on imports and exports, especially food, medical products, and inputs required for basic commodity-producing industries, considering the activation of Great Arab Foreign Trade Area (GAFTA) to strengthen intra-regional trade, and speeding the setting of a strategy to diversify supply chains to reduce their vulnerability of such crises.
- Activating the national economic diversity and increasing national content in all economic sectors, in addition to supporting national products to achieve more sustainable economic sufficiency, security, and stability.
- Activating and implementing a unified policy among the seven emirates in the fields of governmental purchases, local value-added programs, and partnership between the public and private sectors to bridge the gap that might be caused by the decline of the public sector role in the

economic activity.

- Approving a national program to link the external support provided by the State to local products, through benefitting from the experience of Abu Dhabi Fund for Development (ADFD).
- Approving a comprehensive and unified national program for achieving food security.
- Approving a national program that aims to set a general strategy to retain the workers of private sector both citizens and skilled expatriate laborers.
- Activating business councils in all the emirates and reviewing the most important support issues needed by large, medium, and small enterprises with all their affected sectors to achieve effectiveness of support.
- Directing joint investment among the public and private sectors' companies towards the health and pharmaceutical industry sector.
- Directing part of the governmental investments to invest in research and development in the strategic economic sectors, the most important of which are the agricultural, health and pharmaceutical industry, and technical sectors.
- Promoting the quality of available data to enable decision-makers to take immediate decisions based on indicators, enhancing available data and allowing access to them, working to establish one platform for an open and big database where data can flow easily and quickly, that will allow universities, research centers, and policy researchers to utilize the open and big data.
- Establishing an emergency fund, in partnership with the public sector, private sector, and individuals of enormous financial balances, to support governmental measures aiming to contain the effects of Corona Virus spread and any similar crises in the future, and benefitting from resources allocated to companies' social responsibility projects to achieve solidarity between society and affected segments.
- Promoting domestic tourism through organizing internal tourism tours among the emirates, at competitive prices for citizens' and residents in the State's territories.

2020

05

Fifth: Expectations for the UAE Economy for 2020 and 2021

The UAE is expected to get back to the economic growth track again in 2021 after its recovery from the economic repercussions resulting from the outbreak of Covid-19 pandemic, which caused a recession in world economy and all countries' economies during 2020, as the International Monetary Fund (IMF) expected the UAE to achieve a genuine economic growth in 2021 by 1.3% compared to the 6.6% recession of 2020. The UAE average economic growth is expected to reach 2.6% during 2025, and the UAE is expected to remain without unemployment among its citizens during the next year, the same as current year in spite of Covid-19 repercussions. The UAE is expected to retain its position in 2021 among most countries in the world in terms of investment activity volume, as it will belong to the category of countries with the highest levels of investment activity, which range between 10 and 20 degrees. The UAE is also expected to remain among the top countries to achieve a surplus in the budget current account, as it is expected to achieve a surplus of 7.5% in its budget current account in 2021 compared to a 3.6% surplus in 2020, in spite of Covid-19 repercussions and the enormous financial incentives allocated by the UAE government, whether on the federal level or the local governments level, to face these repercussions. As for consumer price index, the inflation is expected to rise again at the beginning of 2021 by 1.5%, after an expected recession at the same rate during 2020, while the inflation is expected to remain at 2.1% until 2025.

The (IMF) expected the UAE imports of goods and services to decrease during 2020 with a recession rate of 13.1%, then to grow again to 10.6% during 2021, while the (IMF) expected the UAE exports of goods and services to decrease during 2020 with a recession rate of -11.9%, and to recover again by 12.7% during 2021. The (IMF) also expected the UAE imports of goods to decrease by -12.7% during 2020, and to grow again by 11.8% during 2021, while the (IMF) expected the UAE exports of goods to decrease during 2020 with a decrease rate of -13.6%, and to grow again by 14% during 2021.

The targeted augmented economic support program approved by the Central Bank, along with the economic stimulus packages announced by the local and federal governments will likely enhance the non-hydro carbonic activities, real estate prices, employment, and credit growth, with a positive impact on the common feeling once the risks of the virus are brought under control.

Moreover, postponing the date of holding EXPO 2020 to October 2021 due to Covid-19 pandemic will be of a great benefit for the UAE, as this event will serve as a promotion for the UAE, where the number of visitors is expected to reach more than 25 million people approximately, which will provide great benefits for the State and its economy. This will also represent the most important and largest world event to rebuild global relations in 2021 after the repercussions of Covid-19 crisis that affected all countries, sectors, and cooperation relations.