UNITED ARAB EMIRATES
MINISTRY OF ECONOMY

Annual Economic Report 2017

25th Edition

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Vision

"Internationally competitive and diversified economy under the leadership of efficient and knowledgeable nationals"

Mission

"To develop the national economy and create a pro-business environment that contributes to achieve balanced and sustainable development of the country, through the enactment and modernization of economic legislations, foreign trade policies, development of national industries and exports, promotion of investment, regulation of competition and Small and Medium Enterprises (SMEs) sector, protection of consumer and intellectual property rights, and diversification of economic activities, under the leadership of efficient nationals, in line with international standards of creativity, excellence and knowledge economies".

Values

Transparency: to apply institutional governance principles, unambiguity of information, decisions, conducts, and all communication and interconnectedness mechanisms with customers from inside and outside the ministry.

Respect of Rights : to respect rights of employees, consumers and all customer classes as per applied economic legislations and work regulations.

Excellence : to provide services beyond customers' expectations and harmonize with best practices and international standards of excellence and exert efforts for uplifting the efficiency of human resources.

Team Spirit : to cooperate and teamwork, support all work groups of ministry 's employees and strategic partners to achieve excellence.

Participation : to manage with participation, consider all different ideas and contributions of related classes, hence adding value to work results.

Creativity : to create positive climate for supporting concerned classes inside and outside the ministry convert their ideas to applicable distinguished results serving ministry's vision and country's competitiveness.

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His Highness Shaikh Khalifah Bin Zayed Al Nahyan

President of the United Arab Emirates

His Highness Shaikh Mohammed bin Rashid Al Maktoum

Vice President and Prime Minister of the UAE and Ruler of Dubai

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Minister's Message

H.E. Engr. Sultan Bin Saeed Al Mansoori
Minister of Economy

The UAE has been adopting effective economic policies that have minimized the effects of profound changes that have cast a shadow over the global economy in general, and over oil-producing and -exporting countries in particular, over the last few years.

Despite the prudent signs of recovery in some countries, many major economies in the East and West are still lagging behind. Political and economic challenges alongside the continued volatility of oil prices are disrupting international trade and investment flows, leading to more difficulty in anticipating prospects for economic growth.

The UAE economy has proven its resilience and ability to sustain growth despite such pressures and economic difficulties. It has maintained its position as the second largest economy in the Arab World and one of the most important regional destinations for trade, investment and economic activities.

This privilege is a result of the leading economic model adopted by the UAE under the directives of our wise leadership, and in line with the objectives of UAE Vision 2021 to establish a diversified and globally competitive economy based on knowledge and innovation and led by national competencies.

According to statistics and data registered by various sectors, the UAE's GDP, particularly its non-oil components, has achieved significant growth at current and constant prices, as the policy of economic diversification continues to gain momentum in line with ongoing endeavors to build a post-oil economy.

According to international reports, the UAE has maintained its regional leadership and prominent global positions in many indices – including those related to development, competitiveness, advanced infrastructure and e-infrastructure, entrepreneurship, innovation, ease of doing business, trade and tourism, import and export of goods and services, re-exports, and incoming and outgoing foreign investments.

Major efforts and strategic investments are ongoing to further develop vital sectors of the country's economy, such as infrastructure, small- and medium-sized enterprise (SMEs), manufacturing, transport, renewable energy, tourism, and education, among others.

The current focus is on building the foundations for future development, with initiatives and leading projects aimed at enhancing investments associated with innovation, technological advancement, Research & Development (R&D), Artificial Intelligence applications, and the concepts of the Fourth Industrial Revolution in line with the objectives of the Science, Technology and Innovation Higher Policy, the National Strategy for Innovation, and UAE Centennial 2071.

The Ministry of Economy is pleased to present public and private stakeholders the annual economic report for 2017, which draws up a clear map backed by reliable figures and statistics on major regional and global economic developments. It reviews the progress of the national economy, and its highlights, results and achievements over the past year. It also analyzes current data and anticipated prospects according to an accurate scientific methodology.

I extend my sincere thanks to all those who contributed to the preparation of this report and enriching it with information and data. We hope that this document will be an important additional source of knowledge that helps policy makers and stakeholders from both the public and private sectors have a clear picture of the local, regional and global economic landscape and develop appropriate plans to achieve further development and prosperity.

I. Global, Arab and Gulf Economic Conditions

1. Global Economic Conditions

Several factors make year 2017 more difficult than any other year in terms of the possibility of exploring what it holds economically and economically at the regional and global levels, due to the many developments and events in 2016, which repercussions will continue to take shape successively. From the sudden vote of Britain's exit from the European Union, to the election of Donald Trump as the unexpected president of the United States, to the moving crises of the Middle East and their implications on security, investments and oil prices. While in Lebanon, the election of a President of the Republic came to restore optimism about economic recovery despite the existence of obstacles that will be difficult to overcome quickly.

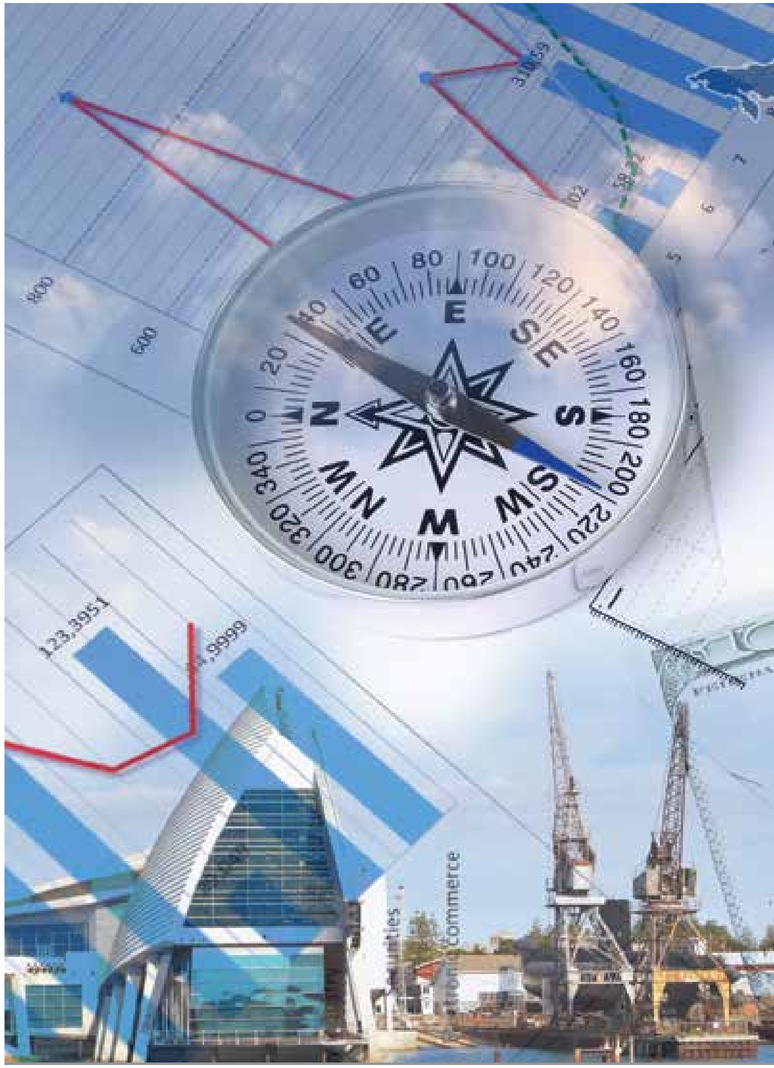
The reduction of oil production, the measures taken by the governments to control the public financial situation and the regional conflicts, have also contributed to reduction of the economic growth in the Middle East and North Africa. Besides, under an agreement reached by OPEC member countries, the total oil production cuts in the first quarter of 2016 amounted to more than one million barrels of oil per day among the top five producers in the region: Iraq, Iran, Kuwait, Saudi Arabia and the UAE. Saudi Arabia has borne the bulk of these cuts, and compliance with the terms of the agreement was higher than the expected.

Credit Suisse Bank has released a report showing the challenges facing the European continent in 2017 due to the repercussions of the Brixett, i.e. the British vote to leave the European Union as well as the coming elections in both France and Germany and their potential impact on the continent as a whole.

The report pointed out that with regard to the Brixet, there is a lack of optimism given that the relative quietness that resulted from the shocking result is due to the fact that Britain has not yet left the European Union and the British government has not yet determined the strategy which it will follow to translate such exit on the ground. Uncertainties regarding the future of the British economy may be translated through the decline and transfer of investments as well as the decline of the consumer's confidence.

The report excludes that the British exit (Brixet) has the domino effect on the rest of the European countries, but this does not eliminate the hypothesis that some countries consider the option is worth venturing. However, experts believe that the advantages of the developments may push the EU to reconsider its policy towards the refugees, but in the opposite situation it will witness an additional escalation of the extreme right wing movements that threaten Europe as a whole and not just the EU. In absolute terms, the report estimates that the growth rate in the euro zone will more likely be 1.5% with differences remaining among the countries.

While in the United States, the victory of the Republican candidate Donald Trump in the US presidential election has contributed to a rise in political uncertainty, with risks that impact the economic and trade relations of the United States with foreign countries in light of the elected president statements.



The report predicts that the US economy will grow by about 2% and that the US reserve will slow down in tightening the monetary policy. The report bets on a rise in US treasury bonds. While in terms of sectors, all indications show that 2017 will be more difficult for US companies' commitments with the exception of those companies exporting raw materials which can contribute to market stability.

As for the dollar, conditions are supposed to be favorable to it. After weakening against the euro, the Swiss franc and the Japanese yen in 2015, the dollar will return to strengthen its position against the rest of the major currencies in 2017. Experts and investors therefore advise to take advantage of any decline in the US dollar to collect the greenback.

In Latin America, most countries have suffered from a long period of weak growth, and even stagnation due to falling of the basic commodity prices caused by the slowdown in China's economy. In general, Latin American countries are expected to witness some improvement in terms of the economic growth and decline of inflation rates. Brazil, for example, the region's largest economy has begun to give some signs of recovery. However, a slow recovery in GDP is expected in 2017, provided that the inflation rates remain above the official target of 5% but soon it will start falling gradually.

In Argentina, inflation remains high, however easing the monetary constraints coupled with some fiscal stimulus measures should contribute to boosting the economic growth in 2017.

Venezuela, for its part, is suffering from an economic collapse accompanied by a very high inflation and a shortage of the basic commodities. With oil prices still below the required level and in the absence of any serious attempt to remedy the situation and carry out radical reforms, the 2017 outlook is hardly encouraging.

As for Asia-Pacific, the steady growth since five years will continue, with the region is expected to grow by 5.9% in 2017, which is the same rate recorded in 2016.

The positive outlook for Asia-Pacific is linked to an improved outlook for China's economy. After six years of the continued economic slowdown, the Asian giant's economy has shown some signs of stability, prompting experts to raise their forecast for China's economic growth rate from 6% in 2017 to 6.3%.

As for Africa, the African Development Bank (AfDB) has predicted that the economic growth in Africa would recover in 2017 to maintain the second highest growth rank in the world after East Asia, indicating that the continent's gross domestic product, after falling to 1.9% in 2016, shall rise to become 3.2% in 2017.

The World Economic Forum points out that Africa is facing mixed expectations of growth that are likely to be below the 5% average recorded in the past decade, attributing this to the decline in commodity prices and the economic slowdown in China. However, a number of African countries will record growth rates of more than 6%. In general, the difference in the economies of the continent is bound to face the challenges posed by the increase in the number of the unemployed, especially the youth, in addition to the acute climate changes and the resulting risks.

The World Bank estimates show that the growth rate in the Middle East and North Africa has declined to

2.7% in 2016, due to the public finance tightening measures in some countries and restrictions on oil production in other countries.

The growth rate in the GCC countries has fallen sharply to 1.6%, while the growth rate in Iran has accelerated to 4.6% and in Iraq to 10.2% due to large increases in oil production, and in Iran due to the recovery of agriculture, automobile production, trade and transportation, beside that the lifting of sanctions related to its nuclear file in 2016 has given some impetus.

In the oil importing countries, Egypt's growth rate fell slightly to 4.3% in the fiscal year 2016. The transformative industries sector was constrained by foreign exchange shortages and the tourism sector growth declined, but the government adapted to the effects of its decision to apply a flexible exchange rate since late 2016, which contributed to the improvement of exports and industrial production in early 2017. As a result of these measures, Egypt recorded a sharp rise in inflation, and growth is expected to slow down to reach 3.9% in the fiscal year 2017 as a result of the measures taken by the government to correct the public finance situation, and will improve steadily to 4.6% in the fiscal year 2018 and to 5.3% in the fiscal year 2019, supported by the implementation of business climate reforms and improved competitiveness of the Egyptian economy.

In Algeria and Iran too, pressures from rising food prices have played a role in rising inflation. Morocco's growth rate has fallen to 1.5% in 2016 due to retreat of agriculture due to drought, and the economic growth is expected to rise to 3.8% in 2017 and 3.7% in 2019 as a result of agricultural production recovery due to improved climate conditions and applying reforms. In Tunisia, similar reasons are expected to accelerate growth to 2.3% in 2017 and to 3% in 2018.

Growth in the Middle East and North Africa region is expected to decline in general to 2.1% in 2017 because the negative impact of OPEC production cuts on oil exporting countries slightly exceeds the conditions in oil importing countries. Growth is expected to rebound to 2.9% in 2018, with the easing of the geopolitical tensions and increased oil prices.

The World Bank estimates indicate that growth in the region is expected to recover to 3.1% in 2017 and that oil importing countries will record the largest increases.

In oil exporting countries, growth in Saudi Arabia is expected to accelerate to 1.6% in 2017, which is a low rate by historical standards and compared to previous years. Forecasts indicate that Iran's growth rate will rebound to 5.2% on expectations of continued oil production growth and conducting agreements for foreign investment. In Algeria, it is estimated that the growth rate will fall to 2.9% due to falling spending on public works and delays in implementing tax reforms and support.

In terms of oil importing countries, Egypt's growth rate is expected to decline to 4.0% in the fiscal year 2017, with starting introduction of fiscal controls, and with private consumption slowing due to rising inflation, before recovering in 2018.

In Morocco, forecasts indicate that the growth rate will jump to 4% in 2017, thanks to the recovery of agricultural production. Jordan has also witnessed a recovery in investment and export rates, which would drive the growth rate to 2.6%.

2. Arab Economic Conditions

• Economic Growth

The unfavorable international economic developments in 2016 have had their effects on the situation of the Arab economies. The slowdown in the levels of the economic activities, international trade, the influx of capital out of the developing countries and the emerging market economies, as well as the decline in the international oil prices, has continued. A number of Arab countries continued to be affected by unfavorable domestic conditions, which had spread to neighboring Arab countries.

This came at a time when the developments in the economic situation in the Arab countries necessitated the restriction of the fiscal policy whether in the Arab oil exporting countries to achieve fiscal discipline against the background of the continued downward trend of oil prices in the international markets, or in the Arab countries importing oil to contain the increasing deficits in the public budgets and reduce the size of domestic debt, which was reflected in the levels of the aggregate demand.

The Arab oil exporting countries, particularly the GCC countries, have tended to focus on giving a strong impetus to the policies of economic diversification by adopting visions, plans and national strategies in the future to increase the levels of diversification according to quantitative objectives and executive programs, with ensuring availability of the financial resources necessary to implement the diversification plans, whether through withdrawals from reserves, or privatization or encouraging the private sector participation in the implementation of important investment projects.

Furthermore, overcoming the internal and external economic imbalances of some other Arab countries, especially oil importers, has necessitated adopting economic reforms within the framework of medium-term reform programs implemented in cooperation with the International Monetary Fund. These cooperation agreements support national reform programs that include monetary, financial and other exchange rate related measures to enhance the levels of economic stability in those countries.

As a result, the growth rate of the Arab countries as a group is expected to decline to 2.1% in 2016, compared to 3.1% in 2015, as a consequence of the decline in the growth rate of the Arab Petroleum Exporting Countries to 2.3% in 2016 compared to 3.0%, and less economic activity in Arab oil importing countries, which grew by 3.3% in 2016 against 3.6% in 2015. According to World Bank data, the Arab GDP is expected to reach $2500.9 billion in 2016, and growth is expected to rise to 2.3% in 2017 then to 2.7% in 2018.

• Average Income Per Capita

According to the World Bank database, the Arab world's population in 2016 has increased to about 404.5 million. According to the same estimates, the average Arab citizen's share of the Arab GDP in 2016 would reach about 6184 dollars, with a large disparity between the Arab countries in this regard, this is an outcome of the decline in oil revenues and then relative re-increase to the end of the year and affecting the economic growth thereby.

• Inflation

Year 2016 has witnessed an increase of the inflation rate in the Arab countries as a group to reach to about 8.4% compared to 6.6% in 2015. This came as the result of most countries taking measures aiming to reduce the levels of support provided, especially for fuel and energy materials, in addition to the measures taken by some countries to rationalize imports of luxury goods as a result of pressure on the exchange rate of the dollar, with the decline of their resources of foreign exchange. Furthermore, the inflation rate in 2016 was affected by the exceptional circumstances witnessed by some countries and their impact on the supply of goods and services.

As regards inflation expectations for 2017 and 2018, the inflation rate is expected to be affected by a combination of domestic and external factors. At the domestic level, the inflation rate in the Arab countries is expected to continue to be influenced by some countries taking measures aimed at reducing the levels of the support provided and applying the VAT in a number of countries, beside the possibility of imposing new taxes in some other countries such as the consumption tax on some harmful goods. This also is expected to be affected by the extent of improved levels of agricultural production and its impact on the supply of food commodities. As for the external factors affecting the inflation levels in the Arab countries, these include the expected increase in international oil prices as a result of the measures taken to reduce oil production by the major producing countries and the continued increase in the value of the US dollar and its impact on the decrease in the value of commodity imports in the Arab countries which adopt fixed systems of exchange against the dollar. In light of the previous factors, inflation in the Arab countries during year 2017 is expected to reach to about 9.8%, and about 9.6% during 2018.

• Arab Budgets

As a consequence of the economic developments witnessed by each of the group of the Arab countries exporting oil and those importing oil during year 2016, the total Arab revenues decreased according to estimates to about $615 billion in 2016 from $635 billion in 2015, a slight decline of 3.0%. The noticeable increase in non oil revenues, in some Arab oil exporting countries as well as the achieved increases in the level of total revenues in the group of Arab oil importing countries, have contributed relatively in the easing of the severe decline in oil revenues. Furthermore, public expenditure continued to decline during year 2016 and estimated at about 840 billion dollars, after it was estimated at 900 billion dollars in 2015 with a fall of about 6.0%. As a consequence of this, the estimates of Arab countries budgets for 2016 show a relative decrease in the level of budget deficit to the GDP to reach to 10.3% compared to 11.4% in 2015.

• Arab Foreign Trade

Arab trade in goods and services continued to decline to reach $1971 billion in 2016 from $2058.5 billion in 2015, a decline rate of -4.2%. Arab exports of goods and services dropped to $938 billion in 2016 from $994 billion in 2015 by -5.6%, and Arab imports of goods and services dropped to 1033 billion dollars in 2016 from 1055.5 billion dollars in 2015 by a decline of -2.1%.

• Arab Unemployment

According to the World Bank database and the International Labor Organization (ILO), the Arab labor force is estimated at 135.2 million workers in 2016. The Arab unemployment rate, which is concentrated among the educated youth, is estimated at 11.4%. The Arab countries are still facing a number of economic challenges during 2016, especially the unfavorable international economic developments and their impact on the situation of the Arab economies, in addition to the decline in international oil prices. A number of Arab countries were affected by the internal situation in other neighboring Arab countries and by the low rate of economic growth, which does not enable them accomplish a significant achievement in reducing the unemployment rate, which represents one of the most important economic challenges facing them.

• Arab Financial Markets

Year 2016 has witnessed significant events and developments that reflected in the performance of the international financial markets, most importantly was Britain's exit from the European Union, the results of the American elections and the sharp fluctuations in oil prices. The repercussions of these events affected Arab stock markets. However, Arab stock markets managed to return to growth and achieved positive performance indicators during the year after they have witnessed a decline in 2015. The market value of the Arab capital markets in 2016 remained at their level in 2015, reaching to $1.1 trillion, an increase of 3.7% over year 2015. The Composite Index of Stock Prices issued by the Arab Monetary Fund has witness a clear increase to reach 304.49 points at the end of 2016 compared to 222.56 points at the end of year 2015, i.e.an increase of 36.8%. The volume of trading continued to decline for the second year consecutively, reaching in 2016 about 345.6 billion dollars compared to 540.5 billion dollars in 2015, with a decline rate of -36.1%. This is mainly due to the decrease in trading volumes in the Saudi financial market which declined during year 2016 by -36.2% and accounted for 78.8% of the volume of trading for the Arab financial markets combined. The volume of trading in most other Arab stock markets has also witnessed a decline during 2016.

• Arab Indebtedness

According to estimates in the 2016 annual report of the Arab Investment Guarantee and Export Credit Corporation, the foreign public debt to the Arab countries rose to $1032 billion in 2016 from $963 billion in 2015, with many countries in the region borrowing and issuing sovereign debt securities to finance the deficit in their public budgets, and the foreign exchange reserves in the Arab countries fell to $1060 billion, with expectations that such reserves will continue to fall to $1000 billion in 2017.

3. Gulf Economic Conditions

The GCC countries (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the UAE) have embarked on programs to diversify their economic activities away from oil production.

There are sever effects on the Gulf region in particular, and extended and widespread worldwide effects in general, as a consequence of the failure of the cease-fire agreement in Syria, the ongoing war in Yemen, the battles against ISIS in Iraq, the political crisis in Libya and the conflict in the region. This led to displacement of large numbers of people, the loss of life and the destruction of infrastructure facilities.

There are also indirect and negative effects and implications that were reflected in trade obstructing, pressure on public finance by demands for expenditure related to refugees and security conditions, and the loss of tourism revenues.

Of the most important risks to the region: the failure to meet the upward expectations of oil prices and the escalation of conflicts, this predicts the risk of a significant decline that threatens growth in the region and puts pressure on government spending and public revenue sources.

Economic activity in the Gulf region may be jeopardized by the indirect effects and repercussions of conflicts in several countries, as well as the intensification of violence and terrorism acts. The increased risk of the conflict will increase uncertainties and obscurity in the economic conditions and slow down of investment rates. The expected tightening of the monetary policy in the United States may also pose an indirect threat to growth in the Gulf States.

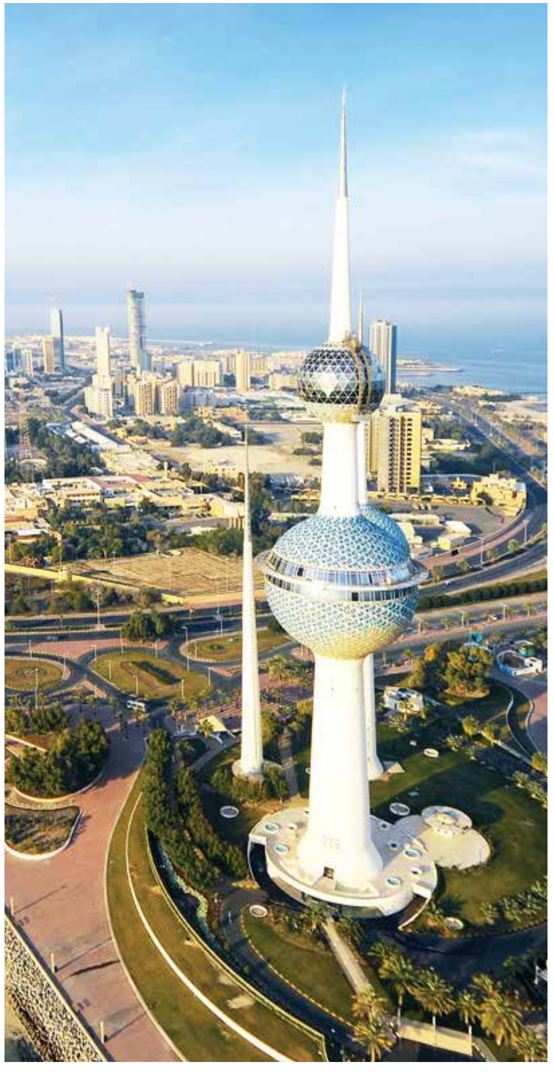
As a result of the above, the growth rate in the GCC countries has dropped sharply to 1.6%, with the effects of weak oil sector extending to non-oil sectors. According to the World Bank report on the economic prospects of the Gulf Cooperation Council countries:

• Bahrain

The growth rate is still slow and the public budget deficit remains large. The current account of the balance of payments has turned to record a deficit, and the foreign exchange reserves have fallen, with considerable pressure on linking the exchange rate. However, despite the recent efforts to control the public finance, Bahrain is the most vulnerable GCC country in the face of low oil and bauxite prices due to its limited savings and the high level of its debts, making it vulnerable to financing risks.

The fall in the oil prices remains a test of Bahrain's economy's resilience. Bahrain has maintained an expansionary fiscal policy since 2009, leading to a deficit in public finance. This situation worsened in 2015 with oil revenues falling by about 10% of the GDP and recording a gross budget deficit of about 12.8% of the GDP compared to 3.4% in 2014.

Real GDP growth forecasts have been reduced to 1.9% in 2017 and 2018, as low oil prices continue



to negatively affect the private and government consumption. A number of investments in the infrastructure sector are also likely to be suspended. In the absence of radical measures for the public finance, Bahrain will remain vulnerable to financial risks. The average inflation rate is expected to fall to 2.1% in 2017 in response to the stagnation of the economic activity and the phasing out of the temporary effects of price increases resulting from support reforms.

• Kuwait

The economic growth rate is estimated at 3% in 2016, supported by higher oil production and the implementation of the Development Plan. The partial recovery in oil prices over the past year has helped to ease the pressure on the balances of public finances to a certain extent, and the liquidity situation in the banking sector has continued to improve. Large infrastructure projects are expected to continue to support growth in the short to medium term. The main challenges include: heavy dependence on the sector of oil and its derivatives, and the parliamentary opposition to make deep structural reforms.

The GDP growth accelerated in 2016 to 3% (at market prices), up from 1.8% in 2015. The GDP growth in the non-oil sector grew 2% from year 2015 1.3%, but less than half before global energy prices fall in 2014.

Oil production cuts under the OPEC deal are expected to reduce the GDP growth to 2.5% in 2017. In the medium term, oil production could recover unless another OPEC deal is negotiated for production.

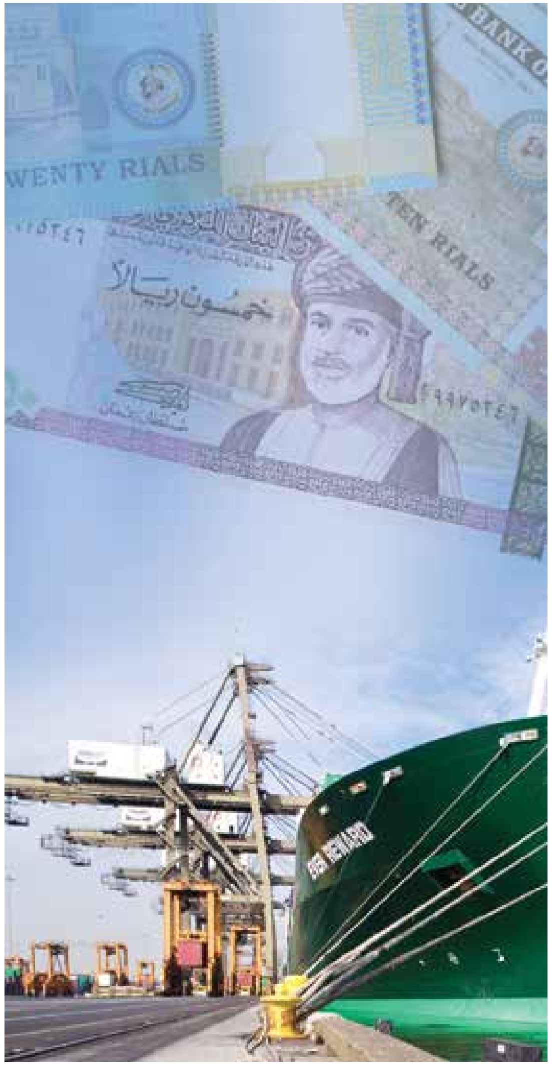
The government plans to invest $115 billion in the oil sector over the next five years, which will also contribute to boosting oil production starting in 2018. And with additional support from spending on public investment, growth is expected to rise to about 3.2% on the medium term.

The pressure on the current account and the public budget is also expected to ease thanks to the partial recovery of oil prices and its increased production. The basic scenario forecasts assume the progressive implementation of expenditure and revenue reforms, including the introduction of the value added tax VAT in 2018 that Kuwait intends to apply.

• Oman

The extended fall in oil prices continues to affect Oman's economy. The agreement with OPEC is likely to cut oil production in 2017 and the government's continued commitment to austerity measures will lead to a further decline in growth.

Both the deficit of the public finance and the current account remain large, prompting Oman to increasingly resort to external borrowing to finance the deficit. But growth is expected to recover in 2018 as Oman attaches hope in its economic diversification plan to the fisheries and tourism sectors.



Oman's official estimates show that the real GDP growth rate has declined from 5.7% in 2015 to 2.2% in 2016. The estimates also show that the growth rate of the GDP in the non-oil sectors has dropped from 7% in 2015 to 2% in 2016, due to the decline in public spending and the subsequent effects on investment and consumption. Investment in oil extraction techniques has led to record un-preceded levels of oil production in 2015 and 2016.

GDP growth in the oil and gas sector declined by almost half in 2016, from 4.2% in 2015 to 2.4% in 2016.

In general, an additional decline in the growth of the real GDP in 2017 is expected to be slightly below 1% because of the agreement reached with OPEC producers to cut oil production until June 2017 and the disincentive effects of decreasing the government spending on the private sector. Also, expenditure fell 8% in the 2017 budget, resulting in a budget deficit of 10.6% of GDP. However, with the delay in the efforts to control the public finance, the budget deficit could reach 13.9% by the end of 2017.

The strict monetary policy will continue as interest rates continue to rise. And due to the increase in the electricity tariff and the rise in world prices for food, inflation is expected to rise to reach 1.4%.

• Qatar

As global energy prices continue to fall, the balances of the budget and current account have turned to record a deficit. The government has cut current spending and reformed the support system, but spending on capital projects to host the 2022 World Cup could boost growth. Financial reserves are still large too. While there in ambiguity of the medium-term outlook for the oil and gas sector. Diversification of the economy activities is deemed crucial.

The GDP growth declined to an estimated 2.9% in 2016 from 3.5% in 2015. As was the case in the previous years, production in the oil and gas sector remained generally stable, largely reflecting the effect of the self-imposed freeze on production increase from the giant North Field (the gas source that has turned Qatar into the world's largest exporter of liquefied natural gas).

Qatar is currently implementing $200 billion of projects to upgrade the infrastructure facilities before hosting the World Cup, which is expected to boost activity, especially in the construction, transport and services sectors. Production in the Barzan gas project, with a production capacity of 1.4 billion cubic feet per day, is scheduled to start in 2017 – the latest project approved before the freeze on the North Field. This should boost growth to 3.3% in 2017 and help offset some of the expected decline in natural gas production over the next few years.

With the stabilization of investments in hosting the World Cup, the growth rate is expected to gradually stabilize at around 2.5% in 2019. And with gas production increases and oil prices rise, recovery of export revenues is expected. The budget

deficit will decrease, driven by savings in the current expenditures, support reforms and the introduction of VAT in 2018.

• Saudi Arabia

The fall in oil prices remains a test of the ability of the Saudi Arabia's economy to withstand. In 2016, the authorities have stepped up measures to control the public finance and implemented major reform initiatives to address the growing challenges posed by the new realities in the oil markets. In the ongoing efforts to control the public finance, the medium-term outlook of the public finance has improved at the expense of growth, which is heavily dependent on public spending.

Low oil prices continue to pose challenges to attaining growth and sustainable public finance in the Kingdom. And in spite of recovering from a monthly average of $30 a barrel in early 2016 to reach $54 a barrel, the prices in January 2017 remained well below half of their peak level in 2014. Besides, because the oil and gas sector accounts for about 80% of the public budget revenues and more than 40% of the GDP, the Kingdom is still vulnerable to be affected by the decrease of the prices.

The decline in economic growth in Saudi Arabia is expected to increase further in 2017. Growth in the oil and gas sector is also expected to be halted in line with OPEC's recent agreement. The authorities have already cut oil production to 9.8 million barrels per day in January 2017, similar to the levels before the fall in oil prices in 2014. But given the easing of the controls to the public finance slightly in the budget for 2017, the non oil economy is supposed to recover with the slow pace of modification of the public finance and it is expected to grow by 2.1% in 2017. In general, the GDP growth is expected to reach 0.6% in 2017.

On the external side, the current account deficit is expected to continue at 4% of the GDP in 2017. As the economy moves forward, the average annual export prices are expected to recover gradually in 2017 and 2018. While with the further decline in import recovery, the current account is expected to achieve small surpluses starting in 2018 and beyond.

• The United Arab Emirates

The reduction in oil production decided by OPEC will limit growth in 2017. But with the expectation of higher crude oil prices, improved oil production capacity, and with increased investment ahead of Expo 2020 in Dubai, growth is expected to recover in the medium term. However, the weak growth of the global economy and the decline in the regional liquidity are the most significant risks to the outlook.

Low oil prices and fiscal austerity measures continue to put pressure on the UAE economy. The real growth rate of the GDP is estimated at 2.3% in 2016, a significant decline compared with the average growth rate of 5% between 2010 and 2014 in the period leading up to the collapse of oil prices in 2014. Austerity measures have also weakened the enterprises' and consumer's confidence and slowed credit growth for the private sector in 2016. The estimates note that the GDP growth in the oil and gas sector has fallen to 3% in 2016 from about 4.6% in 2015.

It is expected that OPEC's cut in oil production would decrease the growth rate in 2017 to 2%. Growth is expected to rebound slightly to reach 3.2% in 2019.

The federal government has set a target growth rate of 4% for 2017, which seems ambitious given the weak growth of bank liquidity and the potential decline in oil production as OPEC decided this year. Yet, oil production is expected to increase in 2018 thanks to investments in the development of production fields.

The growth of the non oil sectors is also expected to recover as a result of the expected improvement in oil prices and its positive effects on confidence and financial conditions. The mega projects are accelerated before Dubai hosting Expo 2020 (Expo 2020 is expected to attract a large number of visitors and promote private consumption and exports of services), beside lifting the sanctions on Iran would lead to increased trade.

II. National Economy Performance

1. Gross Domestic Product (GDP)

The reports of the Federal Competitiveness and Statistics Authority, noted that the United Arab Emirates gross national product (GDP) at real (constant) prices rose by 3% at the end of 2016 compared to 2015, according to the preliminary estimates of the economic statistics, which confirmed that the State economy has maintained positive growth rates at constant prices as a result of the success of the State in following the economic diversification policies, expanding the economic production base, and activating initiatives and activities that would increase reliance on non oil sectors, and enhancing their contribution to the GDP of the State, despite the unstable conditions of the global oil markets, and the decline in production prices in various markets.

The data indicate that the GDP estimates for 2016 in real prices (base year 2010) amounted to approximately 1391.1 billion dirhams at the level of the State, while the estimated GDP at current prices is about 1280.8 billion dirhams by the end of 2016.

On the level of economic diversification and the relative importance of economic activities in the GDP, preliminary estimates indicate that the GDP estimates at current prices of the non oil sectors amounted to about 1067.3 billion dirhams, up by 3.9% (at current prices) and at a rate of 2.7% at real (constant) prices by the end of 2016 compared to its value by the end of 2015.

The data showed that the activities related to the extraction of crude oil and natural gas contributed by about 16.7%, while each of the wholesale and retail trade activities accounted for 12.8%, the construction and building activities contributed by 10.3%, the contribution of the financial services activities amounted to 10.1% and the transformative industries activities by 9.5%, approximately.

In terms of growth rate of the current prices for 2016 compared to 2015, non-oil activities recorded positive growth. Electricity, gas and water activities and waste management activities achieved the highest annual growth rate of 8.5%, followed by human health and social services activities by 7.1%. Entertainment, promotion and other services activities grew by 6.8%. Accommodation, food services and real estate activities grew by 6.7%. The growth rate in the transport and storage sector was 5.9% and the education sector grew by 5.7%.

The highest rate of growth in real prices was in transport and storage sector 7.4%, arts and recreation and other services activities 6.5%, transformative industries 6%, accommodation and food services 5.7%, and human health and social services 5.2%. This confirms the positive path to achieve the UAE 2021 vision and its strategy for the development of non oil sectors and reduce dependence on oil.

Table (1) Gross Domestic Product by Economic Activity (Million AED)

Sectors	2012	2013	*2014	*2015	*2016
Non Financial Projects Sector	1,221,394	1,251,711	1,276,855	1,096,966	1,057,794
Agriculture, Forestry and Fishing	8,783	9,223	9,448	9,747	10,266
Extractive Industries (including Crude Oil and Natural Gas)	538,438	529,995	506,223	287,492	213,437
Transformative Industries	105,490	108,085	115,694	117,951	121,223
Electricity, Gas and Water and Waste Management Activities	34,763	35,705	38,798	46,418	50,364
Construction and Building	112,728	115,646	122,647	128,167	132,200
Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles	137,178	150,680	155,637	160,758	164,134
Transport and Storage	75,824	79,598	85,732	89,891	95,220
Accommodation and Food Services Activities	24,375	28,564	30,913	31,288	33,395
Information and Communications	31,917	32,875	36,040	37,518	38,882

Sectors	2012	2013	*2014	*2015	*2016
Financial and Insurance Activities	83,747	100,537	115,541	125,337	129,050
Real Estate Activities	65,208	66,089	74,372	82,273	87,762
Professional, Scientific and Technical Activities	33,985	36,662	38,907	40,138	41,855
Administrative and Support Services Activities	21,189	23,648	24,633	25,862	27,036
Public Administration and Defense; Compulsory Social Security	65,926	74,809	80,740	84,040	85,168
Education	13,192	13,994	15,509	16,059	16,982
Activities of Human Health and Social Service	12,013	14,870	15,994	16,713	17,892
Arts, Entertainment Recreation and Other Services Activities	6,309	6,077	6,307	6,690	7,145
Household Activities as an Employer	5,451	6,788	7,608	8,225	8,748
Total	**1,376,519**	**1,433,844**	**1,480,743**	**1,314,568**	**1,280,760**
Total Non Oil	**838,081**	**903,849**	**974,520**	**1,027,077**	**1,067,322**

* Preliminary Source: Federal Authority for Competitiveness and Statistics

Table (2) Structure of Gross Domestic Product by Economic Activity %

Sectors	2012	2013	*2014	*2015	*2016
Non Financial Projects Sector	88.7	87.3	86.2	83.4	82.6
Agriculture, Forestry and Fishing	0.6	0.6	0.6	0.7	0.8
Extractive Industries (including Crude Oil and Natural Gas)	39.1	37.0	34.2	21.9	16.7
Transformative Industries	7.7	7.5	7.8	9.0	9.5
Electricity, Gas and Water and Waste Management Activities	2.5	2.5	2.6	3.5	3.9
Construction and Building	8.2	8.1	8.3	9.7	10.3
Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles	10.0	10.5	10.5	12.2	12.8
Transport and Storage	5.5	5.6	5.8	6.8	7.4
Accommodation and Food Services Activities	1.8	2.0	2.1	2.4	2.6
Information and Communications	2.3	2.3	2.4	2.9	3.0

Sectors	2012	2013	*2014	*2015	*2016
Financial and Insurance Activities	6.1	7.0	7.8	9.5	10.1
Real Estate Activities	4.7	4.6	5.0	6.3	6.9
Professional, Scientific and Technical Activities	2.5	2.6	2.6	3.1	3.3
Administrative and Support Services Activities	1.5	1.6	1.7	2.0	2.1
Public Administration and Defense; Compulsory Social Security	4.8	5.2	5.5	6.4	6.6
Education	1.0	1.0	1.0	1.2	1.3
Activities of Human Health and Social Service	0.9	1.0	1.1	1.3	1.4
Arts, Entertainment Recreation and Other Services Activities	0.5	0.4	0.4	0.5	0.6
Household Activities as an Employer	0.4	0.5	0.5	0.6	0.7
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Total Non Oil	**60.9**	**63.0**	**65.8**	**78.1**	**83.3**

* Preliminary Source: Federal Authority for Competitiveness and Statistics

Table (3) Growth Rate of Gross Domestic Product by Economic Activity %

Sectors	2012	2013	*2014	*2015	*2016
Non Financial Projects Sector	6.4	2.5	2.0	-14.1	-3.6
Agriculture, Forestry and Fishing	1.3	5.0	2.4	3.2	5.3
Extractive Industries (including Crude Oil and Natural Gas)	7.1	-1.6	-4.5	-43.2	-25.8
Transformative Industries	6.1	2.5	7.0	2.0	2.8
Electricity, Gas and Water and Waste Management Activities	12.4	2.7	8.7	19.6	8.5
Construction and Building	-2.7	2.6	6.1	4.5	3.1
Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles	5.6	9.8	3.3	3.3	2.1
Transport and Storage	5.2	5.0	7.7	4.9	5.9
Accommodation and Food Services Activities	10.7	17.2	8.2	1.2	6.7
Information and Communications	2.4	3.0	9.6	4.1	3.6

Sectors	2012	2013	*2014	*2015	*2016
Financial and Insurance Activities	8.0	20.0	14.9	8.5	3.0
Real Estate Activities	14.9	1.3	12.5	10.6	6.7
Professional, Scientific and Technical Activities	3.1	7.9	6.1	3.2	4.3
Administrative and Support Services Activities	7.1	11.6	4.2	5.0	4.5
Public Administration and Defense; Compulsory Social Security	13.2	13.5	7.9	4.1	1.3
Education	15.9	6.1	10.8	3.5	5.7
Activities of Human Health and Social Service	34.6	23.8	7.6	4.5	7.1
Arts, Entertainment Recreation and Other Services Activities	15.9	-3.7	3.8	6.1	6.8
Household Activities as an Employer	6.8	24.5	12.1	8.1	6.3
Total	6.8	4.2	3.3	-11.2	-2.6
Total Non Oil	6.6	7.8	7.8	5.4	3.9

*Preliminary Source: Federal Authority for Competitiveness and Statistics Electricity, Gas and Water and Waste Management Activities

Data indicate that the UAE economy is adapting with the continuous decline in black oil prices. The GDP of the UAE is expected to grow by 2.8% this year and rise to 3.3% in the coming year 2018.

2. Consumer Spending

The decline in the world oil prices in year 2016 to about 40.8 dollars / barrel on average, compared to 49.5 dollars / barrel in the average recorded during 2015 by a decline rate of about -18%, had its impact on the decline in the volume of oil revenues which contributes by the bulk of public revenues for the United Arab Emirates by about -14.7% in 2016 compared to oil revenues registered in 2015. This has prompted the State during 2016 to continue to pursue the policy of controlling and rationalizing the current government spending while continuing investment spending on the implementation of investment projects that stimulate growth, strengthen the development movement, increase of levels of economic diversification and support of human development benefiting from the accumulated financial surpluses available to it, and therefore the volume of government consumption expenditure decreased from 163.7 billion dirhams in 2015 to 161.7 billion dirhams in 2016, a decline rate of -1.2%, while the private consumption expenditure has increased from AED 674.2 billion in 2015 to AED 753.0 billion in 2016 with a growth rate of 11.7%.

As a result to this, the real final consumption expenditure increased from AED 838.0 billion in 2015 to AED 914.7 billion in 2016, an increase of 9.1%, and the rate of expenditure from final consumption to real GDP between the two years has increased from 62.1% in 2015 to 65.7% in 2016. As shown in the following table (4).

Table (4) Final Consumption Expenditure for 2015 and 2016 (AED billion)

Description	2015	2016	Growth Rate %
Government Consumption Expenditure	163.7	161.7	-1.2%
Private Consumption Expenditure	674.2	753.0	11.7%
Final Consumption Expenditure	838.0	914.7	9.1%
Final Consumption Expenditure / Real GDP	62.1%	65.7%	

Source: Department of Economic Statistics, Department of National Accounts and Government Finance, Federal Commission for Competitiveness and Statistics, Preliminary Estimates, July 2017.

3. Inflation

Inflation rate in the United Arab Emirates grew during year 2016 at the lowest pace in 3 years, recording 1.6% according to the Federal Consumer Price Index 2016 issued by the Federal Authority for Competitiveness and Statistics. Inflation in the UAE has increased by 4% in 2015 and by 2% in 2014.

The rise in inflation at the rate of 1.6% in 2016 was due to an increase of 4% in the prices of education, an increase in the prices of housing, electricity, water and gas by 4%, clothing and footwear increased 3%, and restaurants and hotels increased by 2% during the year. The prices of health serviced has increased by 1.7%, prices of food and beverages by 1% and of tobacco by 1.5%, while the prices of various goods and services increased by 1%, and recreation, culture and household appliances increased by 0.3 each. On the other hand, transportation prices fell by 4.5% and communications prices fell by 0.81%.

The rise in the prices of the food and beverage group is due to the increase in the prices of some varieties of vegetables, fruits, bread, cereals and their products and fish and seafood, while the transport group prices declined in 2016 due to lower prices for vehicles, fuel, oils and lubricants, and maintenance and repair services of transport equipment.

The Federal Commission for Competitiveness and Statistics explained that the inflation in the UAE rose by 1.6% in August 2017 compared to the same month in 2016. The Consumer Price Index rose by 1.9% in the first eight months of 2017 compared to the same period last year, on a monthly basis, and the consumer price index fell by 0.2% in August 2017 compared to July 2017.

The Commission noted that the housing, water, electricity and other housing groups recorded the highest price increase in August 2017 compared to the rest of the groups, contributing by 49% to the rise since the beginning of the beginning of the year.

4. Investment

4.1 Domestic Investments

Due to the decline in oil revenues, which constitute the largest part of the public revenues of the State on which it depends for expenditure for development purposes, by about -14.7% in 2016 compared to oil revenues recorded in 2015. And in the pursuit of activating the policy of diversification of sources of income and supporting the trend of the State in the transition to the knowledge based economy

Table (5) Inflation Rates by Groups of Expenditure, 2014-2016

Major Expenditure Groups	2014	2015	2016
General Index	2.33	4.07	1.62
Food and Non-Alcoholic Beverages	2.18	1.24	1.01
Alcoholic Beverages and Tobacco	2.95	1.21	1.06
Clothes and Footwear	0.20	-1.62	3.25
Housing, Water, Electricity and Gas	3.13	8.83	3.57
Household Equipment	4.23	2.24	0.29
Health Services	0.43	0.34	1.74
Transport Services	1.37	2.00	-4.08
Telecommunications	0.55	0.13	-0.81
Recreation and Culture	0.76	0.06	0.30
Education	4.33	3.76	4.22
Restaurants and Hotels	1.22	2.67	2.12
Miscellaneous Goods and Services	2.78	2.17	0.78

Source: Federal Commission for Competitiveness and Statistics. Base year (2014 = 100)
Electricity, Gas and Water and Waste Management Activities

on research and innovation, the State continued in 2016 to follow its prudent fiscal policy it followed in 2015, which focused on controlling and rationalizing current spending levels and continuing investment spending on the implementation of projects for the preparation of the World Event Expo 2020 and infrastructure projects and strategic projects that will stimulate growth, increase levels of economic diversification and support human development such as energy, industry, tourism, education, physical and electronic infrastructure and logistics as well as the financial services, with postponing some un-prioritized projects, for taking advantage of its available financial reserves and surpluses, and enhancing the participation of the private sector in the implementation of the projects, while developing public revenues and diversifying their sources.

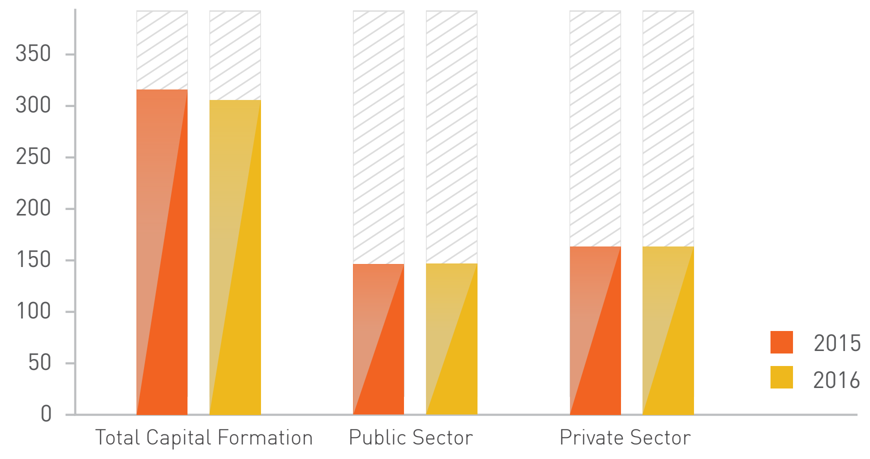
The data shown in Table (6) shows the development of the total State investments at current prices from about 307.9 billion dirhams in 2015 (the share of non-oil investments was AED 257.9 billion, or 83.8%) to AED 302.8 billion in 2016. The share of non-oil investments was AED 266.4 billion or a rate of about 88.0%), a decrease rate of -1.7%, as a result of the increase of public sector investments in the implementation of projects from 145.8 billion dirhams in 2015 to 146.4 billion dirhams in 2016 with a growth rate of 0.4%, and the decline of the contribution of the private sector in the implementation of projects from 162.1 billion dirhams in 2015 to about 156.4 billion dirhams in 2016 by a decline of about -3.5%.

Table (6) Total Capital Formation by Economic Sectors at Current Prices for 2015 and 2016 (billion dirhams)

Description	2015		2016		Growth Rate %
	Value	Contribution %	Value	Contribution %	
Total Capital Formation	307.9	100.0%	302.8	100.0%	-1.7%
Public Sector	145.8	47.3%	146.4	48.3%	0.4%
Private Sector	162.1	52.7%	156.4	51.7%	-3.5%

* Source: Federal Authority for Competitiveness and Statistics, Preliminary Estimates, July 2017.

Figure (1) Total Capital Formation by Sector at Current Prices for 2015 and 2016 (AED billion)



Analysis of the Investment Structure by Economic Sectors

Table (7) Total Fixed Capital Formation by Economic Sector for 2015 and 2016 (AED billion)

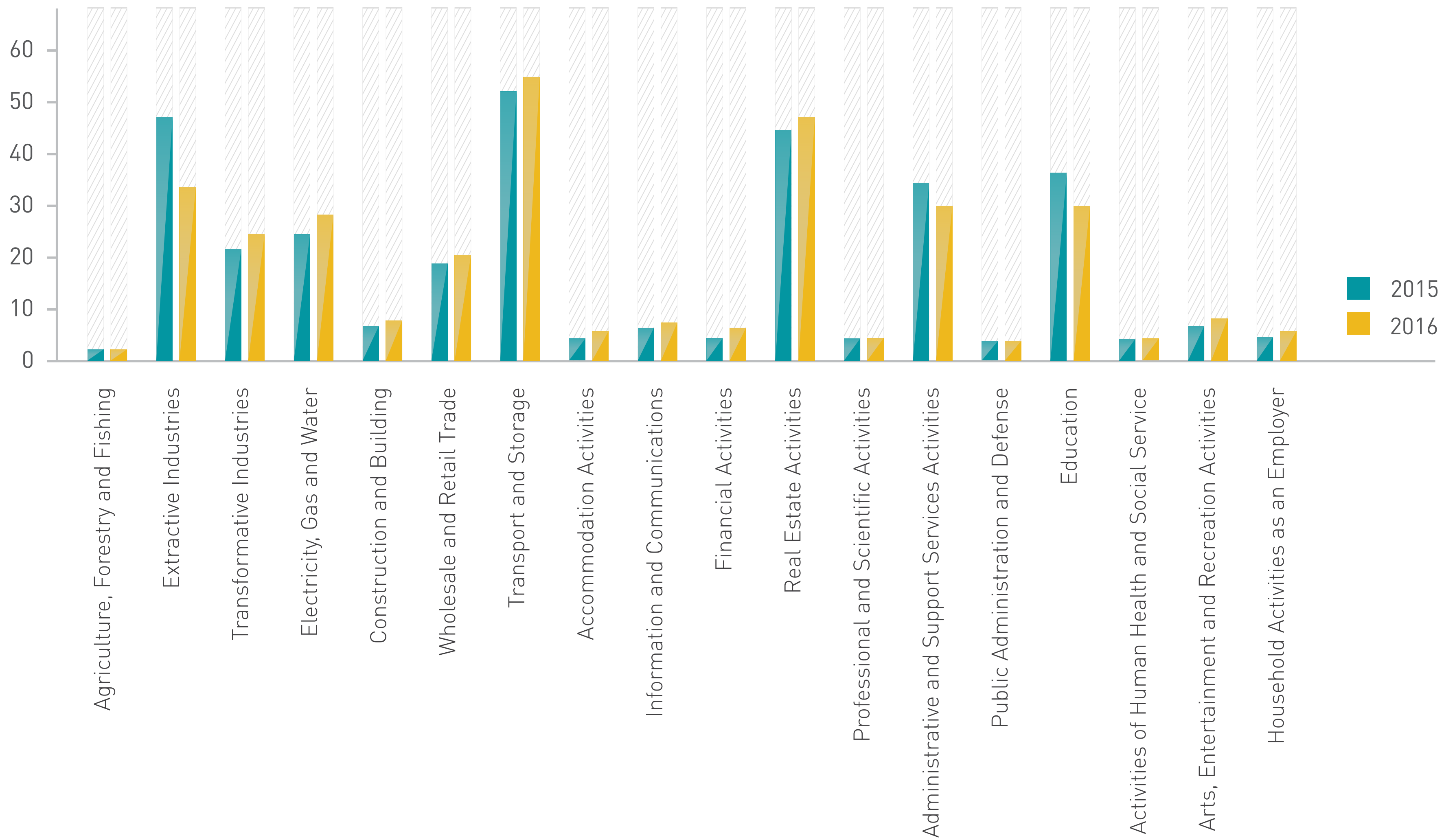
Economic Sectors	*2015		*2016	
	Value	Contribution %	Value	Contribution %
Agriculture, Forestry and Fishing	1.289	0.4%	1.338	0.4%
(Extractive Industries (including Crude Oil and Natural Gas	50.002	16.2%	36.449	12.0%
Transformative Industries	24.275	7.9%	24.980	8.3%
Electricity, Gas and Water and Waste Management Activities	23.858	7.8%	26.657	8.8%
Construction and Building	10.174	3.3%	10.789	3.6%
Wholesale and Retail Trade and Repair of Motor Vehicles and Motorcycles	21.961	7.1%	22.446	7.4%
Transport and Storage	52.316	17.0%	54.797	18.1%
Accommodation and Food Services Activities	6.135	2.0%	6.608	2.2%
Information and Communications	7.490	2.4%	7.860	2.6%
Financial and Insurance Activities	5.255	1.7%	5.488	1.8%

Economic Sectors	*2015		*2016	
	Value	Contribution %	Value	Contribution %
Real Estate Activities	46.946	15.3%	49.768	16.4%
Professional, Scientific and Technical Activities	5.042	1.6%	5.304	1.8%
Administrative and Support Services Activities	4.582	1.5%	4.832	1.6%
Public Administration and Defense and Compulsory Social Security	33.546	10.9%	29.542	9.8%
Education	4.185	1.4%	4.285	1.4%
Activities of Human Health and Social Service	7.746	2.5%	8.209	2.7%
Arts, Entertainment, Recreation and Other Services Activities	3.101	1.0%	3.477	1.2%
Household Activities as an Employer	0	0.0	0	0.0%
Total	**307.904**	**100.0%**	**302.830**	**100.0%**

* Preliminary Source: Federal Authority for Competitiveness and Statistics

The Table's figures show that the transport, storage and other communications sector accounted for 18.1% of the total investments implemented in all economic sectors and came the first among all sectors in 2016, followed by the real estate sector, which accounted for 16.4% of the total investments implemented. Then came the sector of extractive industries which implemented 12.0% of the total investments, followed by public administration, defense and compulsory social security, which carried out about 9.8% of the volume of investments, followed by the electricity, gas and water and waste management activities sector, which implemented about 8.8% of investments, then came the transformative industries sector which implemented about 8.3% of the investments. These investment sectors combined have acquired about 73.4% of the total volume of investments implemented in 2016.

Figure (2) Total Fixed Capital Formation by Economic Sector for 2015 and 2016



4.2 Foreign Direct Investment

According to the statistics released by UNCTAD, the United Arab Emirates has achieved growth in the net annual foreign direct investment inflows in 2016, reaching about 9.0 billion dollars, compared with 8.8 billion dollars in 2015, a growth rate of 2.3% between the two years and an average growth rate during the period 2011-2016 that reached 4.9%. Thus the cumulative balance of foreign investments in the country reached about 117.9 billion dollars in 2016 from 108.9 billion dollars in 2015. The average growth rate during the period 2011-2016 was about 10.7%, mainly supported by the increased investments in the sector of transformative industries and other heavy metals industries such as aluminum and petro-chemicals, as well as other sectors such as tourism and aviation. The structure of foreign direct investment in the country is characterized by great diversity. On top of the economic sectors that acquire the foreign direct investment come the sectors of real estate, business services, wholesale and retail trade, financial institutions, insurance, transformative industries and oil refining products.

The UAE ranked second after Turkey in the list of countries attracting the most foreign direct investment in the West Asia region in 2016 after it acquired a share of 32.2% of the total investment inflows to the region, estimated at $28 billion, and it ranked first in the countries of the Gulf Cooperation Council (GCC) and has acquired about 50.0% of the region's inflows investment estimated at $17.9 billion.

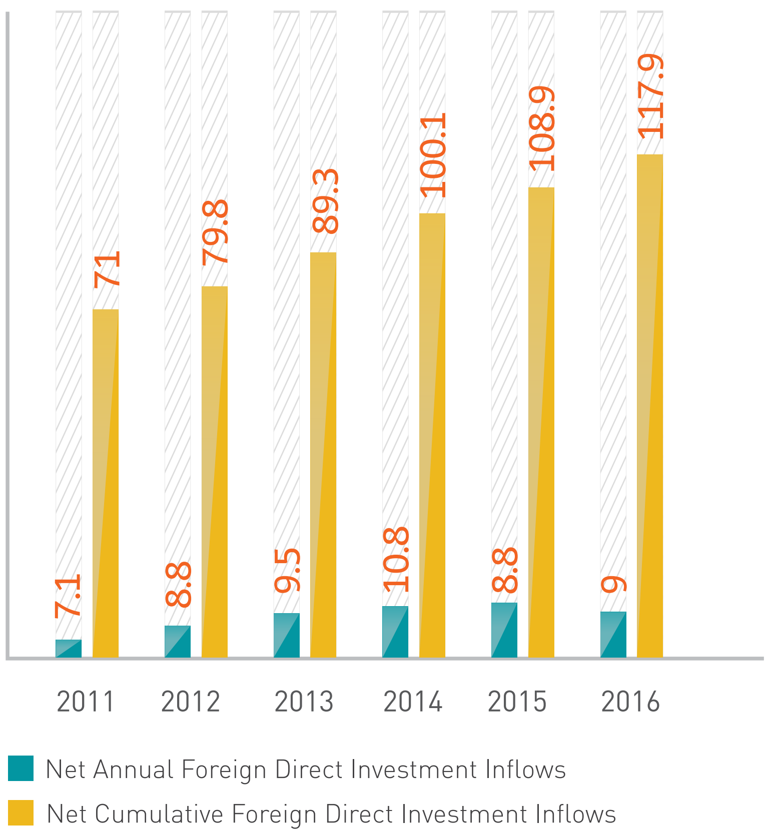
Table (8) Foreign Direct Investment Inflows to the United Arab Emirates for the Period 2011-2016 (in billion dollars)

Year	Net Annual Foreign Direct Investment Inflows	Total Cumulative Foreign Direct Investment Inflows
2011	7.1	71.0
2012	8.8	79.8
2013	9.5	89.3
2014	10.8	100.1
2015	8.8	108.9
2016	9.0	117.9
Average Growth%	4.9%	10.7%

Source: UNCTAD reports of different years

In the coming years, the country is expected to witness further growth in the inflow of foreign direct investments as the country is moving towards activating the policy of diversifying the sources of income beside realizing its vision to build a diversified knowledge and innovation economy in the presence of a safe economic environment, an investment climate, encouraging businesses and giant projects in the sectors of infrastructure, industry, renewable energy, tourism and aviation, and adopting the UAE's top science, technology and innovation policy, which includes 100 national initiatives in the education, health, energy, transport, space and water sectors, and the allocation of a volume of investments in them expected by more than 300 billion dirhams.

Figure (3) Foreign Direct Investment Flows to the United Arab Emirates for years 2011-2016 (billion dirhams)



The United Arab Emirates is also deemed the largest Arab investor abroad, with annual investments increasing from $2.2 billion in 2011 to $15.7 billion in 2016, with an average annual growth rate of 48.2%, thereby doubling its cumulative investment abroad from $57.8 billion in 2011 to $113.2 billion in 2016 with an average annual growth rate of 14.4%, according to UNCTAD World Investment Reports.

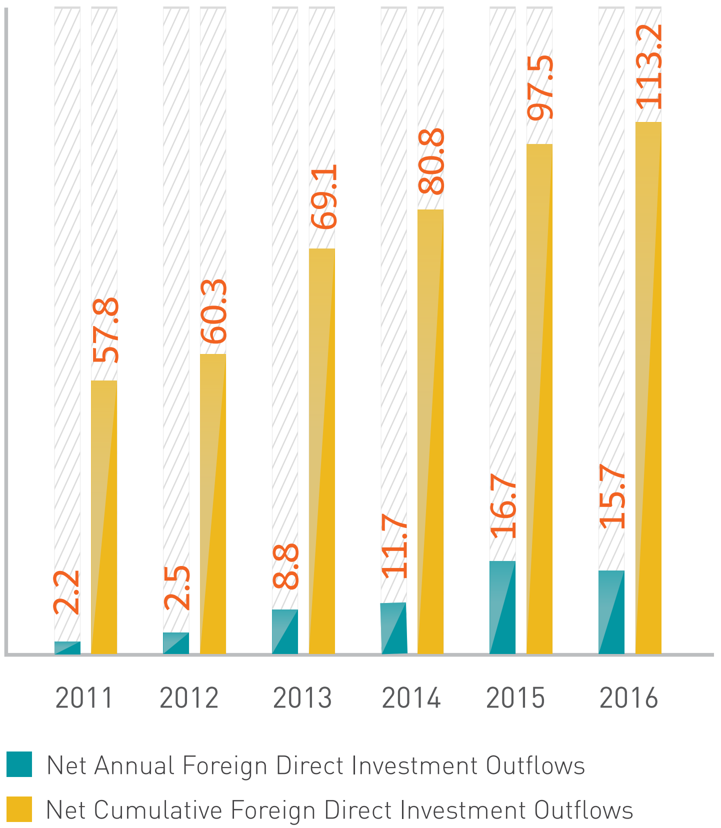
In 2017, the UAE hosted the 7th Global Investment Forum in Dubai under the theme "Global Investment and Competitiveness", which brought together major investors, experts and practitioners on the global level to discuss the role of foreign investment in promoting competitiveness and development. The forum provided an opportunity to learn about the new available investments with focusing on the new policies being implemented, and knowing about the current and future best practices in the industry at present and in the future. The forum has provided the investor area, as a safe platform for sovereign wealth funds and investment funds, to meet with the official government representatives and industry experts from more than 140 countries to discuss investment opportunities, as well as the strategic communication cocktail of senior officials to enhance communication and exchange of ideas, and a communication space for small and medium enterprises (SME) allocated for SME to meet potential partners and financiers.

Table (9) Foreign Direct Investment Outflows from the United Arab Emirates for the period 2011-2016 (US $ billions)

Year	Net Annual Foreign Direct Investment Outflows	Total Cumulative Foreign Direct Investment Outflows
2011	2.2	57.8
2012	2.5	60.3
2013	8.8	69.1
2014	11.7	80.8
2015	16.7	97.5
2016	15.7	113.2
Average Growth %	48.2%	14.4%

Source: UNCTAD reports of different years

Figure (4) Foreign Direct Investment Outflows from the United Arab Emirates for the period 2011-2016



5. Foreign Trade

The UAE's non-oil foreign trade continued to grow in 2016 compared with 2015, overcoming the negative impacts of the challenges ensuing from the global trade slowdown and the decline of global economic growth as well as the negative effects of security unrest in the region.

According to the statistical data of the Federal Customs Authority, the country volume of foreign trade of non-oil (direct trade and free zones) during year 2016 has grown to record 1.564 trillion dirhams, compared with 1.556 trillion dirhams in 2015.

The data showed that the value of UAE imports from abroad grew slightly not exceeding 2% during 2016, reaching AED 969 billion compared to AED 952.3 billion in 2015, while exports grew up to 5% to reach AED 195 billion, compared to 185.4 billion in 2015, and the value of re-exports was 400.4 billion dirhams.

The total volume of non-oil foreign trade in the UAE was about 232.7 million tons, of which 101.3 million tons was weight of imports, 112.9 million tons was weight of exports and 18.6 million tons was weight of re-exports.

The Authority data showed that the structure of the trading partners in terms of geographical region remained stable in ranking as regards importance in 2016. The region of the countries of Asia, Australia and Pacific topped the list of the country's leading non-oil foreign trade partners with a total trade value with the UAE of 624.7 billion dirhams, accounting for 42% of the country's total trade.

According to the statistical data of the Authority, UAE's total foreign non-oil trade with the GCC countries in terms of value has increased to AED166.7 billion dirhams in 2016. Saudi Arabia topped the Gulf countries with a trade volume of AED 71.6 billion, and a contribution rate of 43%.

The share of Arab countries accounted for 18% of the total non-oil trade in the UAE. The value of the UAE's trade with the Arab countries was AED 281.2 billion, of which AED 87.7 billion were imports, AED 63 billion were exports and AED 130.5 billion were re-exports.

Raw and semi-finished gold accounted for the highest value of goods imported by the UAE from abroad, accounting for 15% of total imports, representing AED 124.4 billion, followed by telephone devices with value of AED 89 billion representing 10%, then cars with value of AED 51.2 billion representing 6%, non-compounded diamonds with value of 47.9 billion dirhams representing 5.6%, and petrol oils with value of 33.2 billion dirhams and representing 4% of total imports. According to data on non-oil exports, raw and semi-finished gold also came in first place, with exports worth AED 57.2 billion representing 29% of total exports.

Telephone devices ranked first as the best re-exported commodity in 2016, valued at AED 61.7 billion, and representing 15% of total re-exports.

As for the statistics on the first quarter of 2017, the UAE's non-oil trade volume (direct trade and free zones) increased to reach AED 401 billion compared to AED 388 billion during the corresponding period of 2016, achieving a growth rate of 3.2%, according to the statistical data of the Federal Customs Authority.

The data showed that the share of direct foreign trade during the first quarter of 2017 accounted for 68% of the total trade of the State worth 272 billion dirhams, while free trade in the country accounted for 32% of the total trade for the equivalent of 129 billion dirhams.

The Authority statistical data showed that the value of UAE imports from abroad grew slightly not exceeding the rate of 5.2% during the first quarter of 2017. The value of imports reached 245 billion dirhams compared to 233 billion in the same quarter of last year, while the value of exports amounted to 46 billion dirhams. The re-export value grew by 7.4% to reach AED 110 billion during said quarter compared to AED 102.4 billion for the first quarter of 2016.

The data further showed that the total volume of non-oil foreign trade of the country in terms of weight reached about 57 million tons in the first quarter of 2017. Of these, about 26 million tons is the weight of imports, 26 million tons is the weight of exports and 5 million tons is the weight of re-export.

The trading partners' structure in terms of geographic region remained stable in ranking in terms of trade importance during the first quarter of 2017. Asia, Australia and the Pacific countries accounted for 43% of total trade. The total trade with the UAE was AED 162.6 billion.

The GCC countries are a strategic trading partner of the UAE, with their share of the country's total trade stabilizing at 11% in the first quarter of 2017.

In this regard, the total volume of non-oil foreign trade between the GCC countries in terms of value increased to 45 billion dirhams during the first quarter of 2017. The volume of its imports amounted to 13.7 billion dirhams, while the volume of exports reached 9.2 billion dirhams and the re-export volume was 22 billion dirhams.

The Kingdom of Saudi Arabia was at the forefront of the Gulf countries with a volume of non-oil trade of 19.9 billion dirhams followed by Kuwait with an estimated value of 7.3 billion dirhams, Sultanate Oman with an estimated value of 7.1 billion dirhams and then the Kingdom of Bahrain with an estimated value of 4.2 billion dirhams.

The Arab countries accounted for 19% of the UAE's total non-oil trade during the first quarter of 2017. The Arab countries represent a major destination for the UAE exports as well as re-exports.

The Authority data also noted that the value of the country's trade with the Arab countries amounted to 75.2 billion dirhams during said quarter, of which 22.6 billion dirhams were the value of imports and 17.2 billion dirhams were the value of exports, while the value of re-exports amounted to 35.4 billion dirhams.

As regards the best commodities traded during the first quarter of 2017, raw and semi-finished gold ranked first in terms of the best goods imported by the United Arab Emirates, representing 14% of total imports, and amounting to 34.7 billion dirhams, followed by telephone devices with AED 24.2 billion representing 10%, followed by cars with AED 14.5 billion and representing 6%, non-compounded diamonds valued at AED 12.6 billion representing 5%, and petroleum oil amounting to AED 10.2 billion representing 4% of total imports.

According to non-oil exports data, raw and semi-finished gold also came in first place with a value of 12 billion dirhams representing 26% of the total non-oil exports of the country in the first quarter of 2017, followed by raw aluminum with a value of 5.3 billion dirhams representing 12%, followed by trinkets and jewelry from precious stones with a value of 5 billion dirhams equivalent to 11%, then came ethylene polymers in their primary forms by 6% and with a value of 2.7 billion dirhams, while cigarette exports amounted to 1.6 billion dirhams, equivalent to 4% of the total non-oil exports of the UAE during the same quarter.

The telephone devices ranked first as the best re-exported commodity in the first quarter of 2017 with a value of 17 billion dirhams representing 15% of the total re-exports followed by non-compounded diamonds with a value of 13.1 billion dirhams representing 12%, then cars with a value of 9.6 billion dirhams representing 9%, trinkets and jewelry from precious stones with a value of 6.2 billion dirhams equivalent to 6% of the total, and then came raw and semi-finished gold with a value of 5.3 billion dirhams representing 5% of the total re-exports.

Table (10) Total Non-Oil Foreign Trade of the United Arab Emirates including Free Zones during the Period 2014-2016

Indicator	2014	2015	2016	Annual growth for 2016 Compared to 2015
Non-oil Exports	157.6	185.5	195.0	5.12%
Re-exports	455.9	418.4	400.4	-4.30%
Imports	991.9	952.2	968.9	1.75%
Total Foreign Trade	1,605.5	1,556.2	1,564.3	0.52%

Source: Federal Customs Authority

Figure (6) Percentage of the Contribution of Trade Movements of Total Non-Oil Foreign Trade for 2016

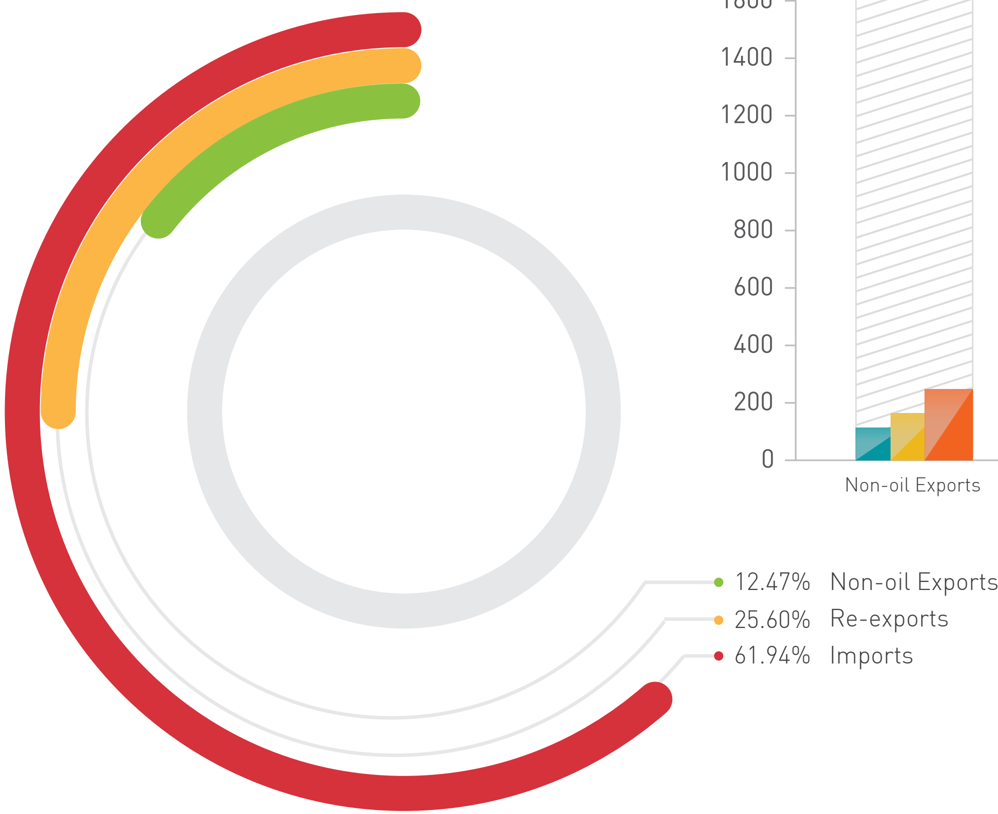
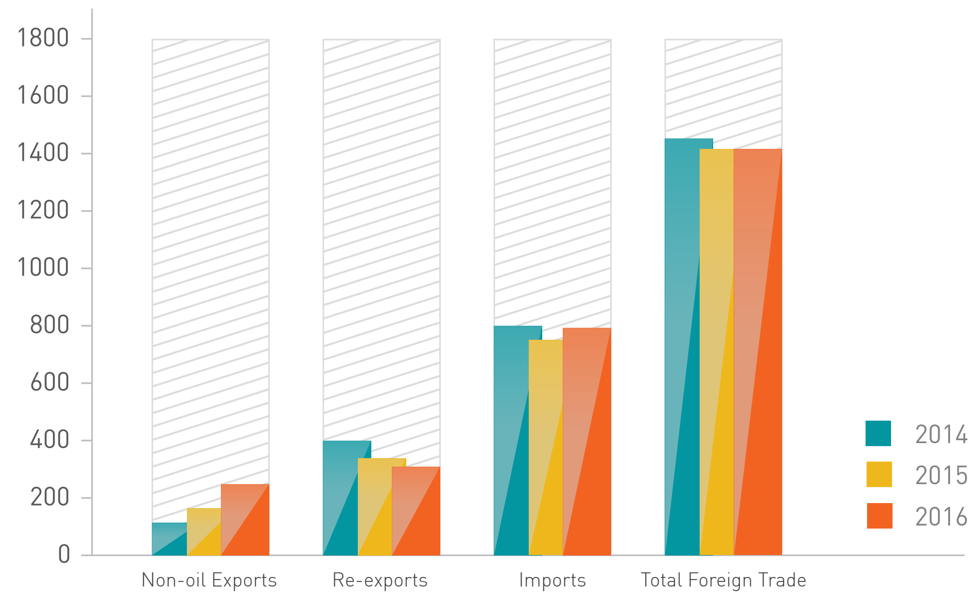


Figure (5) Evolution of the Volume of Non-Oil Foreign Trade of the United Arab Emirates during the Period 2014-2016



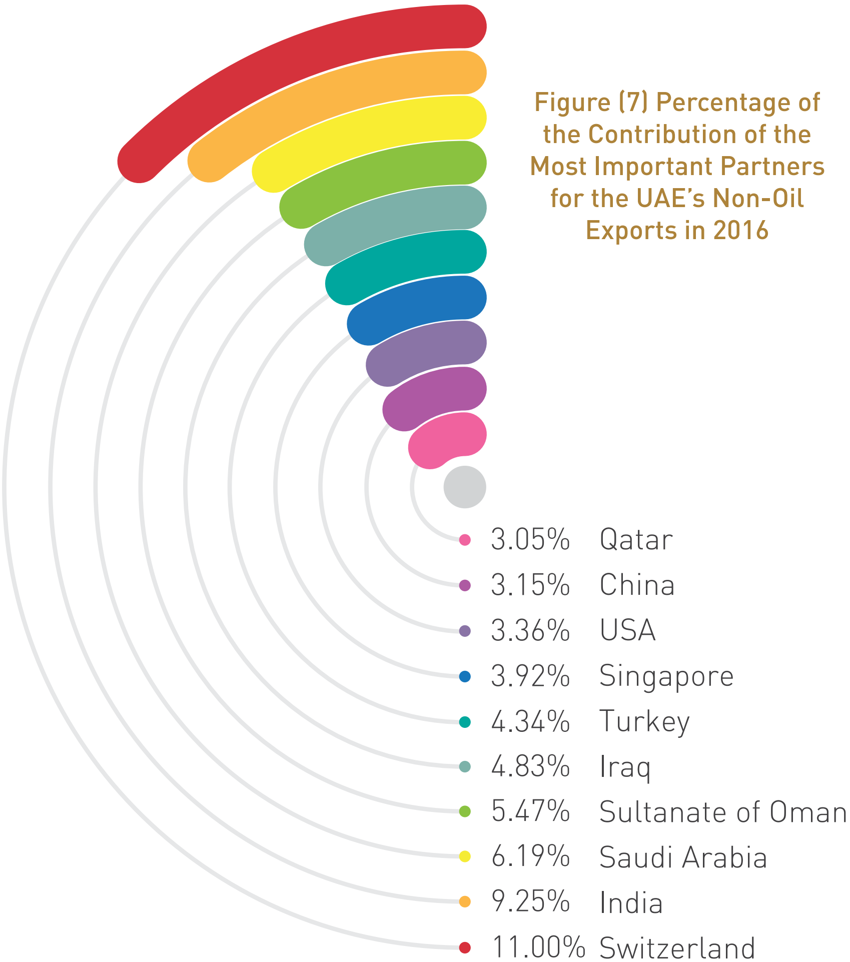


Figure (7) Percentage of the Contribution of the Most Important Partners for the UAE's Non-Oil Exports in 2016

Table (11) UAE Trade Partners for the Value of Non-Oil Exports 2016

Country	Billion dirhams	Percentage of Total %
Switzerland	21.45	11.00%
India	18.03	9.25%
Saudi Arabia	12.06	6.19%
Sultanate of Oman	10.65	5.47%
Iraq	9.41	4.83%
Turkey	8.46	4.34%
Singapore	7.65	3.92%
USA	6.55	3.36%
China	6.14	3.15%
Qatar	5.95	3.05%
Total Top 10 Partners	106.36	54.55%
Total Other Countries	88.60	45.45%

Source: Federal Customs Authority

Figure (8) Percentage of the Contribution of the Most Important Partners for Re-exports in 2016

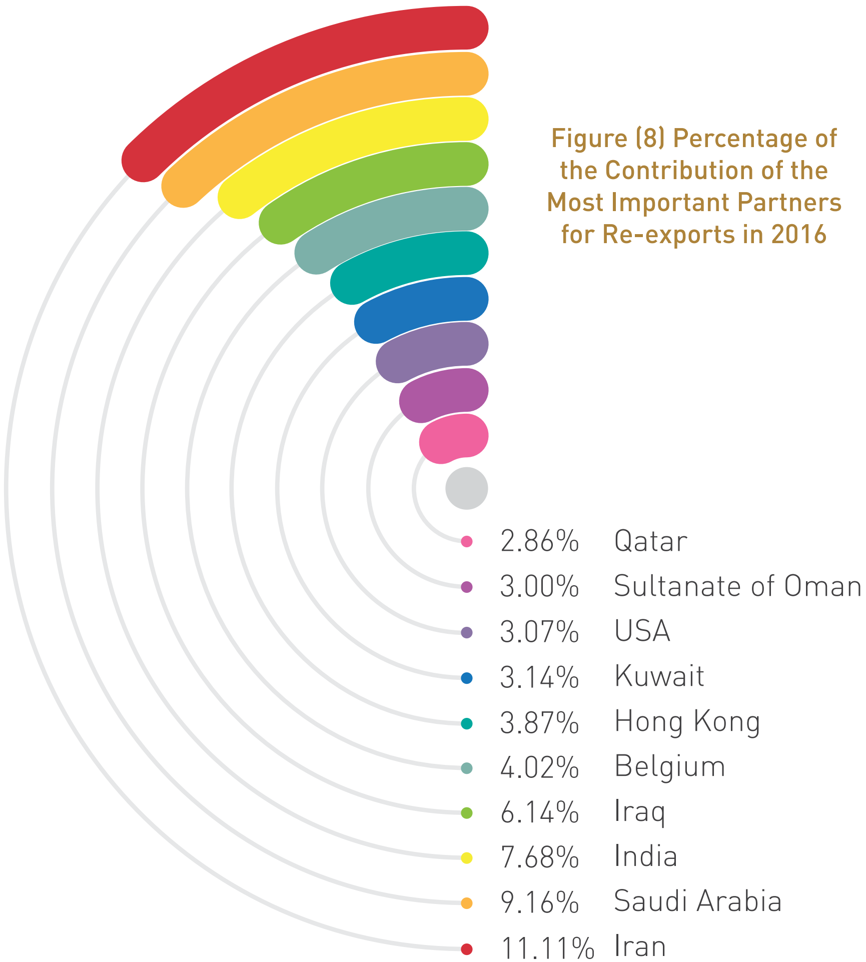


Table (12) The United Arab Emirates Trade Partners for the Value of Re-exports 2016

Country	Billion dirhams	Percentage of total %
Iran	44.50	11.11%
Saudi Arabia	36.68	9.16%
India	30.76	7.68%
Iraq	24.57	6.14%
Belgium	16.08	4.02%
Hong Kong	15.50	3.87%
Kuwait	12.59	3.14%
USA	12.28	3.07%
Sultanate of Oman	12.00	3.00%
Qatar	11.46	2.86%
Total Top 10 Partners	216.42	54.05%
Total Other Countries	183.97	45.95%

Source: Federal Customs Authority

Figure (9) Percentage of the Contribution of the Most Important Partners for the United Arab Emirates Imports in 2016

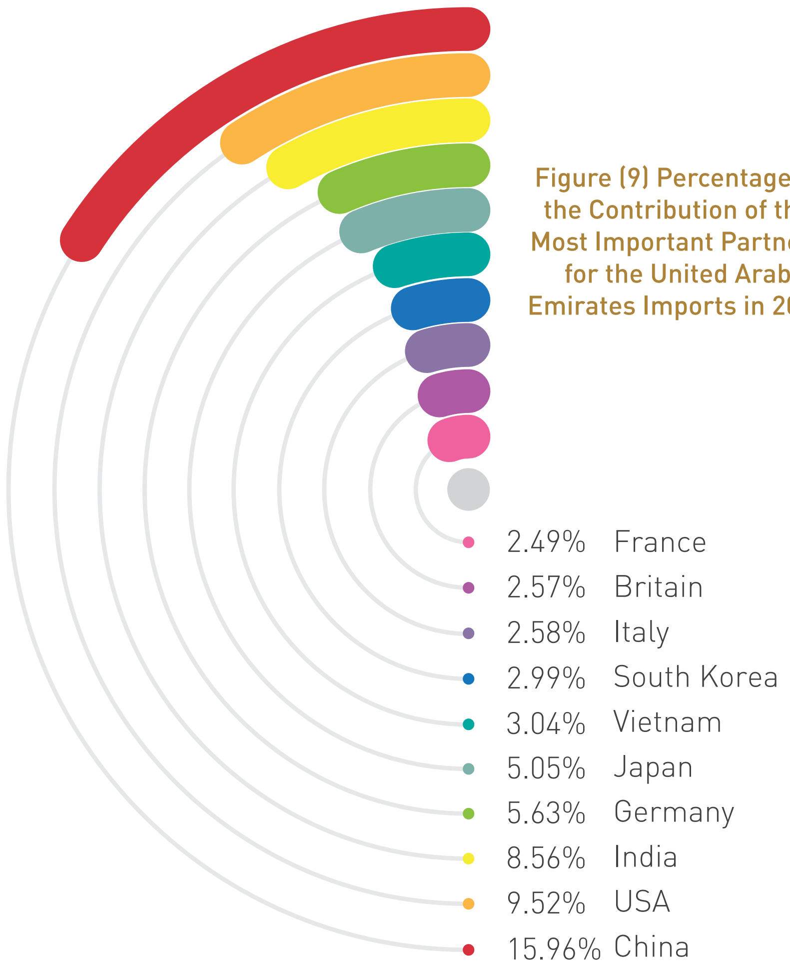


Table (13) The United Arab Emirates Trade Partners for the Value of Imports 2016

Country	Billion dirhams	Percentage of total %
China	154.69	15.96%
USA	92.28	9.52%
India	82.98	8.56%
Germany	54.59	5.63%
Japan	48.91	5.05%
Vietnam	29.49	3.04%
South Korea	29.02	2.99%
Italy	25.04	2.58%
Britain	24.94	2.57%
France	24.13	2.49%
Total Top 10 Partners	566.05	58.42%
Total Other Countries	402.87	41.58%

Source: Federal Customs Authority

Table (14) The United Arab Emirates Non-Oil Exports with the Most Important Countries by Value for 2016

	Non-Oil Exports			
Countries	%	Value (AED)	%	Weight (kg)
Switzerland	12.72	21,446,957,003	0.00	2,762,726
India	9.96	16,803,597,735	16.26	17,810,521,460
Saudi Arabia	6.41	10,811,846,721	1.13	1,242,985,328
Sultanate of Oman	6.11	10,308,828,853	2.50	2,736,813,697
Turkey	4.96	8,363,393,993	0.27	292,189,934
Singapore	4.39	7,410,696,418	0.42	455,980,121
Iraq	4.37	7,373,528,093	3.80	4,159,323,903
China	3.54	5,961,413,611	1.61	1,761,136,027
USA	3.30	5,572,587,804	0.70	768,686,401
Qatar	3.25	5,482,000,700	31.80	34,834,689,411
Kuwait	3.08	5,192,982,802	22.33	24,456,326,794
Pakistan	1.89	3,192,066,111	1.12	1,230,683,417
Bahrain	1.86	3,142,245,401	6.39	7,003,348,333

	Non-Oil Exports			
Countries	%	Value (AED)	%	Weight (kg)
Holland	1.79	3,022,744,521	0.40	443,564,867
Hong Kong	1.70	2,873,861,399	0.03	32,409,541
Egypt	1.58	2,672,584,885	0.42	456,980,241
Italy	1.29	2,178,058,296	0.19	210,218,489
Japan	1.21	2,040,457,803	0.27	298,334,127
South Korea	1.17	1,967,587,717	0.27	300,146,745
Iran	1.10	1,848,938,174	0.25	269,617,798
Bangladesh	1.06	1,781,832,073	0.48	521,723,289
Jordan	0.95	1,607,236,486	0.10	114,322,968
Malaysia	0.95	1,604,137,885	0.23	248,693,555
Lebanon	0.90	1,516,958,567	0.12	132,985,950
Sudan	0.90	1,515,263,777	0.40	441,419,618
Other countries	19.53	32,941,274,172	8.49	9,300,142,442
Total	**100.00**	**168,633,080,999**	**100.00**	**109,526,007,185**

Source: Federal Customs Authority

6. Financial and Monetary Sector

The financial and monetary sector continued its positive growth and achieved a significant increase in its gross domestic product at current prices in 2016, reaching to129.1 billion dirhams compared to 125.3 billion dirhams in 2015, a growth of 3.0%. The contribution of the sector to the GDP (current prices) increased from 9.5% in 2015 to10.1% in 2016, and the contribution of the financial and monetary sector in the output of non-oil sectors (at current prices) increased from 12.2% in 2015 to 12.1% in 2016.

6.1. Developments in the Financial Markets

During year 2016, the financial markets witnessed many external and internal challenges that affected the movement of stocks up and down. The external challenges were the decline in the international oil prices and the high rate of correlation between oil prices and international, regional and local financial markets. This contributed to the interaction of the local markets with the decrease and increase of oil prices, as the local markets followed the oil markets performing the same performance in terms of the rise or fall. There was also the British decision to exit the European Union and the presidential elections and raising the US interest rate. The local challenges were in low liquidity levels, control of market speculation and rising borrowing costs by the local banks due to higher US interest rates, beside the speculation with no investment based on future planning, and the

Table (15) Developments in the UAE Securities Exchange for years (2015-2016)

Description	2015	2016	Growth Rate %
Number of Listed Companies	128	126	-1.6%
Abu Dhabi Securities Market Index	4307.26	4546.37	5.55%
Dubai Financial Market Index	3151.00	3530.88	12.1%
The Market Value of Abu Dhabi Securities Market	129718.65	130051.12	0.3%
The Market Value of Dubai Financial Market	83912.25	91953.69	9.6%
Trading Volume of Abu Dhabi Securities Market (Million Paper)	27209.44	48975.53	80.0%
Trading Volume of Dubai Financial Market (Million Paper)	98017.26	106539.37	8.7%
Trading Value of Abu Dhabi Securities Exchange (Million Dollar)	15711.96	13335.74	-15.1%
Trading Value of Dubai Financial Market (Million Dollars)	41135.83	36410.21	-11.5%

Source: Securities and Commodities Authority, Annual Report 2016 poor performance of the real estate sector, which is the main driver of all sectors. However, the domestic financial markets managed to absorb these negative challenges and achieved good performance in 2016 due to the support of the economic activity by the federal government and the local governments through infrastructure projects, with oil prices improving in the last quarter of 2016, which was reflected positively on the markets. The indices rose well supported by improved liquidity and local equities reaching attractive levels for purchase: the Dubai Financial Market (DFM) gained 12.1%, the market index rose from 3151 points in 2015 to 3530.88 points in 2016, while the Abu Dhabi market for securities rose by 5.55% as the index rose from 4307.26 points in 2015 to 4546.37 points in 2016.

The number of listed companies changed from 128 companies in 2015 to 126 companies in 2016 (of which 66 companies in the Abu Dhabi Securities Market representing 52.4% of the listed companies in the State markets and 60 companies in the Financial Market of Dubai representing 47.6% of the total number of the listed companies in the UAE), a decrease percentage by -1.6%. The market value of the Abu Dhabi Securities Market (ADX) has increased from USD 129718.65 million in 2015 to 130051.12 million in 2016 with an increase of 0.3%. The market value of the Dubai Financial Market between the years increased from USD 83912.25 million to USD 91953.69 million with an increase of 9.6%, and the volume of trading on the Abu Dhabi Securities Market increased from 27209.44 million in the year 2015 to 48975.53 million in 2016 with an increase of 80.0%. Furthermore, the volume of trading on the Dubai Financial Market increased from 98017.26 million in 2015 to 106539.37 million in 2016 with an increase of 8.7%.

The value of trading on the Abu Dhabi Securities Market declined from $15711.96 million in 2015 to $13335.74 million in 2016, a drop of -15.1%, and the Dubai Financial Market also declined from $41135.83 million in 2015 to $36410.21 million in 2016, a drop of -11.5%.

6.2 Monetary Developments

The money supply (M1), which consists of cash in circulation out of banks (cash issued – cash in banks) plus cash deposits (current account balances and call accounts) increased to AED 504.4 billion in the first quarter of 2017 after it was AED 490.3 billion in the first quarter of 2016 with an annual growth rate of 2.9%.

The money supply (M2) plus the quasi-cash deposits (savings deposits and term deposits as well as foreign currency deposits) increased to AED 1272.2 billion in the first quarter of 2017 from AED 1218.4 billion in the first quarter of 2016 with annual growth rate of about 4.4%.

The money supply (M3), which consists of money supply (M2), plus government deposits with banks and central banks, increased annually by 6.7% to AED 1465.8 billion in the first quarter of 2017 from AED 1373.8 billion in the first quarter of 2016.

Table (16) Monetary Developments for the First Quarter of Years 2016–2017 (Billion dirhams)

Description	First Quarter of 2016	First Quarter of 2017	Annual Growth Rate %
Money supply (M1)	490.3	504.4	2.9%
Money supply (M2)	1218.4	1272.2	4.4%
Money supply (M3)	1373.8	1465.8	6.7%

Source: Central Bank, report on monetary and banking developments and capital markets in the United Arab Emirates, (First Quarter 2017), May 2017

Table (17) Banking Developments for Years 2015–2016 (Billion dirhams)

Description	2015	2016	Growth Rate %
Total Assets	2478.2	2610.8	5.3%
Total deposits	1471.6	1562.9	6.2%
Total bank credit	1485.0	1574.0	6.0%
Credit / deposit percentage %	100.9%	100.7%	

Source: Central Bank, report on monetary and banking developments and capital markets in the United Arab Emirates, (First Quarter 2017), May 2017

6.3 Banking Developments

By the end of 2016, the number of national banks that remained was about 23 banks, which is the same level reached in 2015 (while the number of branches has decreased from 874 branches by end of the fourth quarter of 2015 to 846 branches by the end of the fourth quarter of 2016). The number of the GCC countries banks operating in the country remained at the same level in 2016, i.e. 6 banks, as well as the number of foreign banks remained at the same level i.e. 20 banks (the number of their branches declined by the end of 2016 to 81 branches from 82 branches by the end of 2015) The total assets of banks operating in the country increased to 2610.8 billion dirhams at the end of 2016 compared to 2478.2 billion dirhams at the end of 2015, a growth of 5.3%, and customers' deposits with banks operating in the country increased from AED 1471.6 billion in 2015 to AED 1562.9 billion in 2016 with a growth rate of 6.2%. Furthermore, due to the high level of deposits and capital adequacy, banks in the country managed to continue their banking credit activities, which increased to AED 1574.0 billion in 2016 compared to AED 1485.0 billion at the end of 2015, a growth rate of 6.0%. Credit to deposit rate declined from 100.9% in 2015 to 100.7% in 2016.

7. Public Finance

According to OPEC data, world oil prices in 2016 fell to $40.8/barrel on average, compared with $49.5/barrel on average in year 2015, a decline rate by -17.6%. This has affected the State public finance position. The oil revenues, which contribute the bulk of the public revenues of the State declined by about -14.8% in 2016 compared to the oil revenues registered in 2015. The fiscal policy of the State during year 2016 was featured with continuing focus on the control and rationalization of current spending levels and continued investment spending on the implementation of infrastructure projects and strategic projects that will stimulate growth and increase the levels of economic diversification and support human development, taking advantage of the accumulated financial surpluses available to it and enhancing the participation and contribution of the private sector in the implementation of the projects while supporting public revenues and diversifying their sources. Public expenditure has declined from about AED 389.2 billion in 2015 to AED 387.5 billion in 2016, a slight decline of -4.0%. Investment spending focused on the sectors of health, education, social welfare, infrastructure and strategic projects concerned with tourism and industry that would increase the levels of economic diversification, and on activating the knowledge economy based on creativity, innovation and projects related to the preparations for the World Expo 2020 event.

Table (18) Public Revenues and Expenditures of the State for years 2015-2016 (billion dirhams)

Description	2015	2016	Change Rate in 2015/2016 %
Total Public Revenues	304.8	288.2	-5.4%
Total Public Expenditures	389.2	387.5	-0.4%
Deficit / Final Surplus	-84.4	-99.3	17.6%

Source: Federal Authority for Competitiveness and Statistics, Preliminary Figures, July 2017

Furthermore, the public revenues declined from AED 304.8 billion in 2015 to AED 288.2 billion in 2016, a drop of -5.4%, as a result of the decrease in oil revenues from AED 137.9 billion in 2015 to AED 117.5 billion in 2016 and an increase in the other revenues from AED 166.8 billion in 2015 to reach AED 170.7 billion in 2016. Thus, the country's consolidated financial account had a deficit that increased from AED -84.4 billion in 2015 to AED -99.3 billion in 2016, an increase of 17.6%.

III. Population and Workforce

1. Population

According to the estimates of the Federal Authority for Competitiveness and Statistics, the number of people in the United Arab Emirates for year 2016 according to the administrative records in the State was about 9.121 million people, of which 2.823 million females and 6.298 million males. According to the statistics of birth statistics issued by the Abu Dhabi Center for Statistics, the population of the Emirate of Abu Dhabi is estimated at 2908.2 thousand at the end of 2016, a growth of 4.4% compared to 2015, and the Dubai Statistics Center estimates that the population of Dubai Emirate in 2016 reached about 2815.4 million people.

2. Workforce

According to the International Labor Organization (ILO) and the World Bank estimates, the total labor force in the United Arab Emirates in 2016 was 6330.54 thousand of the total population aged 15 years and above. The labor force participation rate is about 91% of the total male population aged 15 years and above. The rate of participation in the female labor force is about 42% of the total female population aged 15 years and above. The rate of employment is about 77% of the total population aged 15 years and above. The overall unemployment rate in the State of the United Arab Emirates declined to about 3.7% of the total workforce in 2016 from its level of 3.8% in 2013. Furthermore, according to the same estimates, the unemployment rate of male reached 2.8% of the male labor force, and the proportion of female unemployment is 9.6% of female in the labor force.

Table (19) Estimates of Compensations of Employees (Size of Wages) by Economic Sectors for Years 2015 and 2016 (AED million)

Sectors	* Compensations of Employees 2015	%	* Compensations of Employees 2016	%
Agriculture, Forestry and Fishing	3525	0.8%	3706	0.8%
Extractive Industries (including oil and natural gas)	20068	4.7%	19048	4.3%
Transformative Industries	42025	9.8%	43799	9.9%
Electricity, Gas and Water and Waste Management Activities	5825	1.4%	6203	1.4%
Construction and Building	48814	11.3%	50501	11.4%
Wholesale and Retail Trade and Repair of Motor Vehicles and Motorcycles	55000	12.8%	56441	12.7%
Transport and Storage	36006	8.4%	38128	8.6%
Accommodation and Food Service Activities	14518	3.4%	15475	3.5%
Information and Communications	12052	2.8%	12449	2.8%
Financial Activities and Insurance Activities	30222	7.0%	30844	6.9%

Sectors	* Compensations of Employees 2015	%	* Compensations of Employees 2016	%
Real Estate Activities	6560	1.5%	6905	1.6%
Professional, Scientific and Technical Activities	21835	5.1%	22539	5.1%
Administrative and Support Services Activities	14139	3.3%	14531	3.3%
Public Administration, Defense and Compulsory Social Security	79376	18.4%	80418	18.1%
Education	14342	3.3%	15027	3.4%
Activities of Human Health and Social Service	13848	3.2%	14548	3.3%
Arts, Entertainment, Promotion and Other Service Activities	4280	1.0%	4540	1.0%
Household Activities as Employer	8225	1.9%	8748	2.0%
Total	430661	100.0%	443851	100.0%

* Source: Federal Authority for Competitiveness and Statistics, Preliminary Figures, July 2017.

2.1 The Distribution of Employment by Economic Sectors

In view of the relative distribution of workers' compensations by economic sectors in 2015, the public administration, defense and social security sector was at the forefront of the economic sectors in terms of the percentage of compensations of workers in the country which amounted to 79376 million dirhams and a rate of 18.4% of the total compensations of workers. Then came the repair of motor vehicles sector with a value of 55000 million dirhams and a rate of 12.8% of the total value of compensations, followed by the construction and building sector with a value of 48814 million dirhams and a percentage of 11.3% of the total compensations value, followed by the transformative industries sector at a value of 42025 million dirhams and a rate of 9.8% of total value of total compensations, then came the transport and storage sector with a value of AED 36006 million and a rate of 8.4%. The total compensations of employees working in the five sectors amounted to about 261221 million dirhams and a total percentage of 60.7% of the total wages and compensations of workers in the country during year 2015, and the same economic sectors referred to during the year 2016 came in the same rank. The total compensations of the employees of these five sectors amounted to about 269287 million dirhams and at a rate of 60.7% of the total remuneration and compensations of workers in the country during year 2016.

Figure (10)
Relative Distribution of Employed by Economic Sectors in 2015

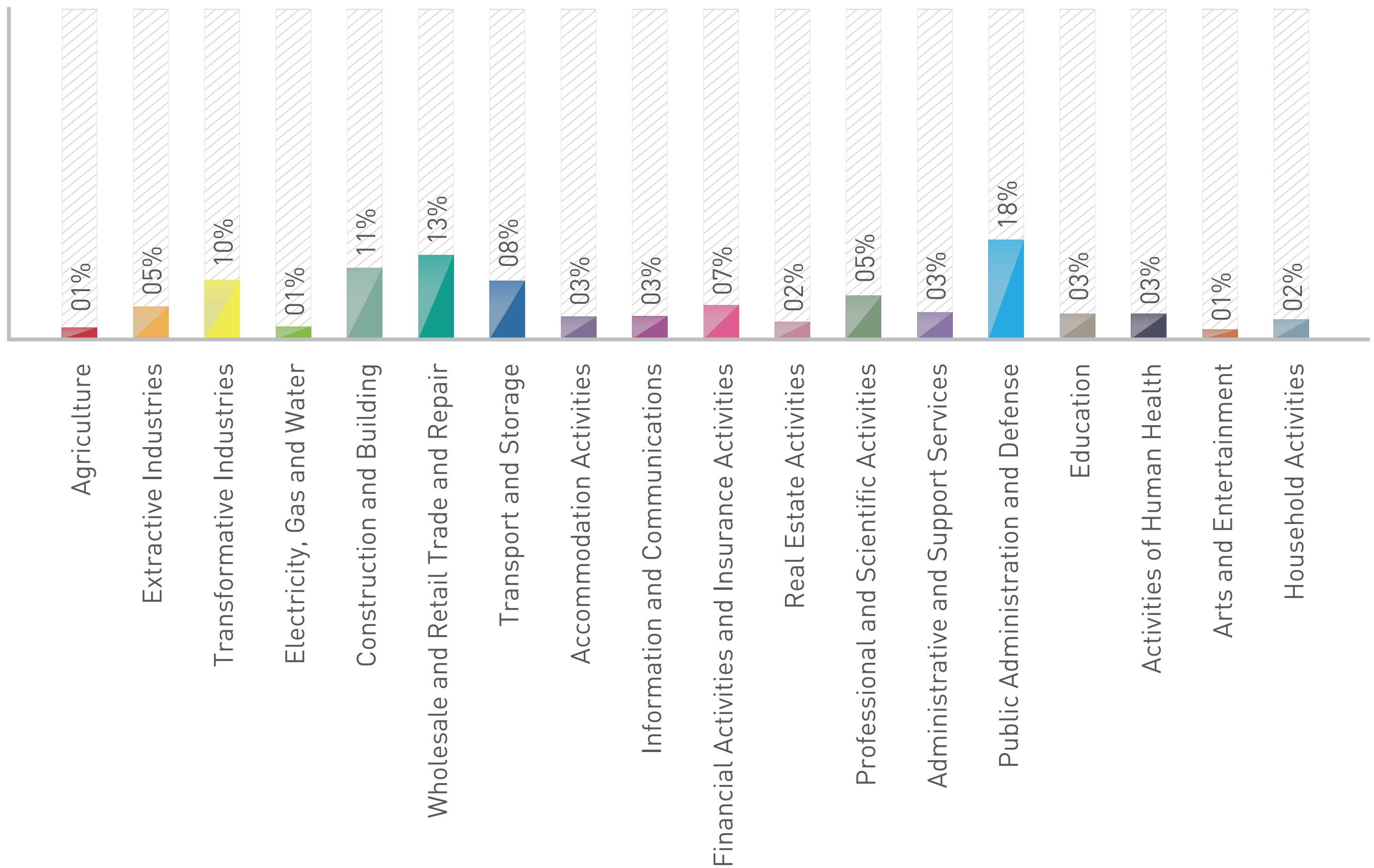
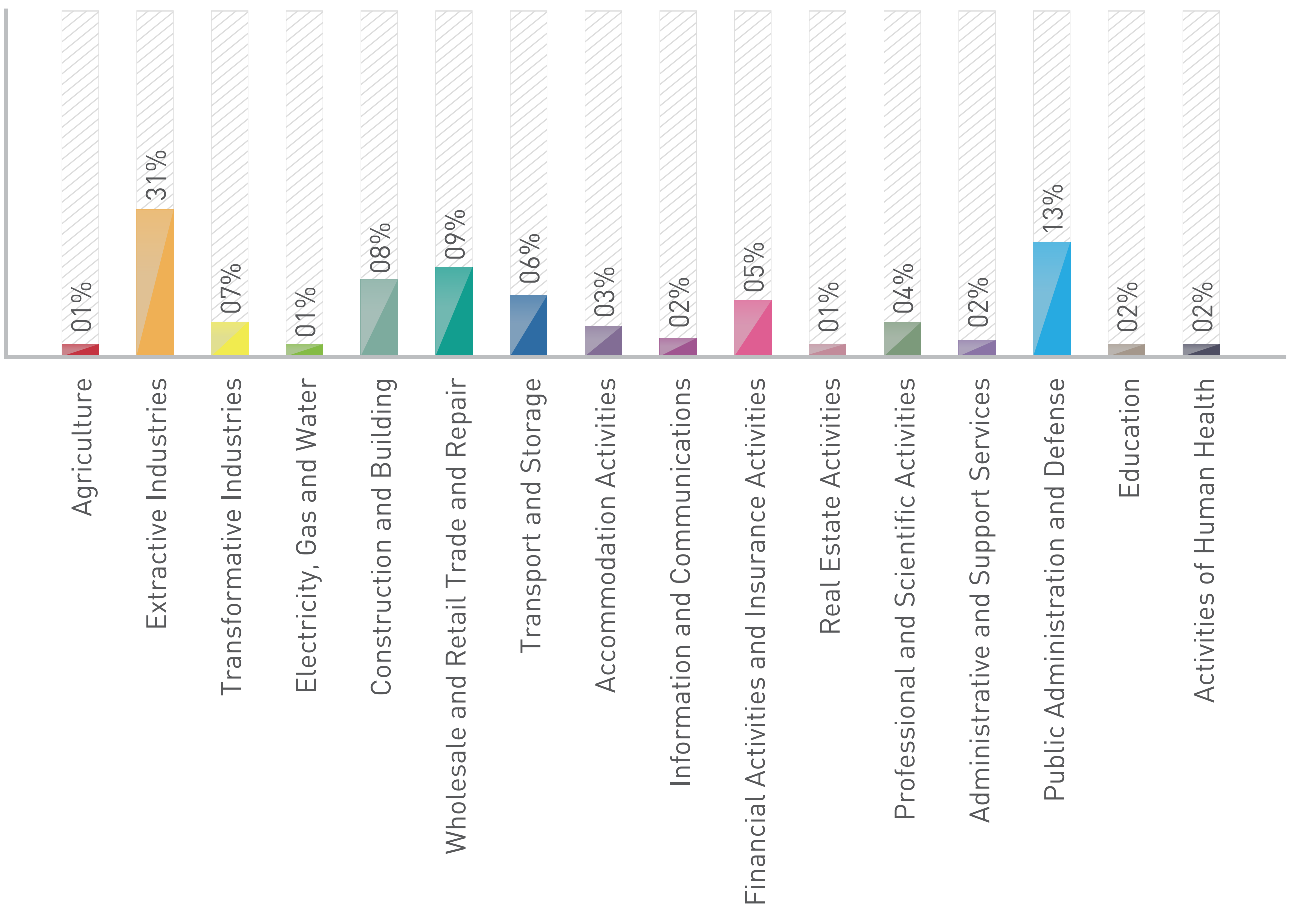


Figure (11)
Relative Distribution of Employed by Economic Sectors in 2016



IV. Contemporary Economic Issues

1. United Arab Emirates and Global Competitiveness 2017

The World Competitiveness Yearbook Report is deemed one of the most important international reports and an important reference for many international institutions in conducting their studies and issuing their reports. It is also considered by many academic institutions as an important benchmark for identifying international best practices as it assess the countries according to their competence in managing their resources for achieving prosperity and well-being of their peoples.

The report measures the competitiveness of the countries across four main themes which are: economic performance, government efficiency, the efficiency of the business environment and the infrastructure. Under these four themes come 346 sub-indices that include various aspects and factors that affect these axes. The methodology of the report is based on the views of businessmen (33.3%) and statistical data (66.7%) serving 346 indicators, and the first World Competitiveness Yearbook was published in 1989.

The United Arab Emirates (UAE) was ranked the 1st in the region and the 10th in the world's most competitive countries, according to the World Competitiveness Yearbook for year 2017, that was published by the International Competitiveness Center which follows the International Institute for Administrative Development in Lausanne (Switzerland).

In the 2017 report, the United Arab Emirates advanced five positions to what it was in the 2016 ranking, as it was ranked the 10th in the world and the 1st regionally, so the UAE has superseded the countries of the Arab Gulf, Middle East and Africa region.

Analyzing the report and comparing the results of 2017 by 2016, the United Arab Emirates has advanced in the theme of business efficiency sector from the 11th to 2nd in the world, while in the theme of economic performance from it advanced from the 12th to 5th position in the world and in government efficiency theme it advanced from the 7th to 4th globally.

At the level of the themes and indicators for year 2017, the United Arab Emirates has achieved outstanding performance in the theme of government efficiency, achieving the fourth place in the world in this theme, and it achieved the first place in the world in nine sub-indexes under this theme, most notably the index of "Flexibility of Government Policies", the index of "Quality of Decisions", and the index of "Efficiency of Residence Laws". The UAE achieved the highest jump from the 12th place last year to the 5th in the world this year, and ranked the 1st in the world in three sub-indexes, most notably the "Household Expenditure Growth" where it jumped from the 25th place in 2016 to the 1st in the world in 2017.

In terms of business efficiency theme, the United Arab Emirates has achieved a quantum leap, advancing from the 11th place in 2016 to the 2nd in the world. It also advanced to the first position in the world in six sub-indexes that come under this theme, the most important of which are: the "Lack of Labor Disputes" index, the "Credibility of Managers" index, the index of "Corporate Use of Large Data and Analytical Tools", the index of "Digital Transformation in Companies" and the index of "Support the Values of Society to Competitiveness". However, despite the slight decline in only two positions in the infrastructure theme to the 37th position, which was due to the progress of some of the countries covered in the report in this theme, yet the country attained the first rank in the world in five indexes in 2017 compared to only one index in 2016.

Analysis of the results of this year's report showed that Hong Kong remained the world number one in 2017, Switzerland maintained the second place, Singapore rose to third place, while the United States dropped to the fourth place in the world, and Holland took Sweden fifth place, while the latter dropped to the ninth place.

Luxembourg and the United Arab Emirates have joined the list of top 10 countries in this year report, with Norway and Canada coming out of the list.

The United Arab Emirates was ranked the 10th in the world, maintaining its position among the best competitive countries in the world, surpassing advanced countries such as the United Kingdom, Australia and New Zealand.

As for the Global Digital Competitiveness Index (GDI), it is based on 50 indexes grouped into nine sub-themes, and it follows three main themes: knowledge, technology and readiness for the future. In this report, the UAE was ranked the 1st in the region and 18th in the world among the most competitive countries in the Digital Competitiveness Index.

The results of the Global Digital Competitiveness Report highlighted the UAE's position as the world's first in four sub-indexes: "Cyber Security", "Efficiency of Residence Laws", "Corporate Use of Large Data and Analytical Tools", and "Strength of Partnerships between the Governmental Sector and Private Sector".

It was also ranked second in the world in three sub-indexes: "the Availability of Skilled Foreign Talent", "Trends towards Globalization", and "Availability of Opportunities and Avoiding Risks".

Furthermore, it was also ranked the third in the two indexes of "the Availability of Competencies with International Expertise", and "City Management".

The continuous progress achieved by the State in the global competitiveness indexes confirms the keenness of government policies to raise the UAE's rating in a distinctive and excellent manner without forgetting a golden rule related to enhancing the competitiveness of the legislative environment that governs the work of many economic sectors in the country, giving roles to the public and private sector in supporting the economic development, and creating conditions favorable for the private sector to play its key role in generating wealth through investment incentives, job creation and product improvement. All of this was an important incentive for the sustained economic growth.

The good leadership's keenness that the UAE economy is competitive and based on knowledge and innovation has enabled the country to take an advanced position among the ten most competitive countries in the world, which in turn enabled it to compete with advanced economies according to international standards relating to the financial situation of the government, good management of public funds, confidence in the strength of the economy, and the stimulation of excellence and innovation. Through this, it achieved the best results by ranking it in the 35th position in the Global Innovation Index for 2017, and consolidated its position in the overall ranking of the index among the list of the top category of the most innovative countries.

The UAE being first in the region's innovation index reflects the progress it has made in developing its institutions, improving its regulatory and business environment, supporting and stimulating the human capital, upgrading the educational and research institutions, and developing the infrastructure and relying on information and communications technology (ICT) to enhance the work of all economic sectors.

The UAE is demonstrating to the whole world the effectiveness and efficiency of the comprehensive development strategy it is following and which is based on investing in human development, stimulating innovation, development and continuous modernization. It is also demonstrating the extent to which the federal government bodies support the UAE's global competitiveness by establishing a system based on developing the national cadres and capital in line with the international best practices.

The UAE's adherence to comply with international standards and indicators in evaluating the performance and competitiveness of State and local government institutions helps it improve performance in these institutions, improve the country's global competitiveness, and realize the 2021 Vision of the UAE.

The report's findings indicate that the UAE's economic policies have succeeded in establishing a solid foothold among the world's major economies.

2. Industrial Development in the United Arab Emirates

The industry is the driving force of development and its main engine and the cornerstone in the formation of the pillars of a real productive economy to achieve stability and economic growth. It is also deemed the sector on which all development efforts can be based and the United Arab Emirates relies on it to activate the policy of diversifying sources of income in achieving a developmental boom and achieving further growth, on the short and medium term.

Industry is deemed of high economic importance for the following reasons:

1. It is a fundamental basis for diversification of sources of income.
2. It is a strategic choice for economic stability.
3. It benefits from the shift from the consumption pattern and dependence on the outside in the provision of goods, towards production, attaining self-sufficiency and achieving export value for foreign markets.
4. It provides job opportunities and contributes to addressing unemployment and the formation of skilled and technical, skilled and trained manpower.
5. It is deemed is an essential means of transferring and settling the advanced technology.
6. It contributes to the achievement of other sources of income to be depended upon instead of oil and to avoid fluctuations in its world prices.
7. It leads to reducing imports and increasing exports.
8. It realizes balancing to the trade balance of non-oil commodity.

In order to develop the industrial sector, the United Arab Emirates has carried out the following:

1. Development of the industrial structure as it has established many industrial facilities, both in the activities of petroleum and petrochemical industries and activities of non-petroleum transformative industries.
2. Supporting and providing the potentials for the industrial activity through the establishment of industrial development departments in the emirates of the State.
3. Exempting the industrial enterprises from customs duties on their imports of machinery, equipment, spare parts and raw materials required for production, and exempting them from export duties as well as exempting industrial enterprises from taxes.
4. Encouraging the application of advanced methods and modern techniques in production and establishing the foundations of quality and excellence through the establishment of the Sheikh Khalifa Bin Zayed Al Nahyan Award for Industry in 1997 and the Sheikh Khalifa Bin Zayed Award for Excellence since 1999.
5. Importing foreign expertise to found competitive local industries.
6. Establishment of industrial institutes to prepare and train the skilled national manpower.
7. Establishment of specialized industrial research centers.
8. Adopting strategic planning in the industrial sector through the following:
   - The Department of Economic Development in the Emirate of Abu Dhabi has formulated the Industrial Strategy 2011-2015 and has also founded an Office for the Development of Industry to serve as a reference for industrial development in the Emirate, and the Office cooperated with government and semi-governmental bodies to update the industrial strategy of the Emirate of Abu Dhabi 2016-2020.
   - The Emirate of Dubai has developed the Dubai Industrial Strategy, which draws its focus from the Dubai Vision 2021.
   - The Ministry of Economy is working on preparing an industrial strategy in line with the federal government's strategy and UAE Vision 2021 to establish a diversified, sustainable, knowledge based economy that encourages small enterprises and the investment initiatives for individuals and in highly integration into the global economy to increase the industry contribution to the GDP by 25% by the year 2025.

9. Construction of industrial cities where the Emirate of Abu Dhabi currently has 7 specialized industrial zones for all types of industries, in addition to the development of Ruwais Industrial City and Zayed Industrial City. Besides, the Municipality of Abu Dhabi also manages Mussaffah Industrial Area which contains six industrial zones specialized in various industrial activities. The Abu Dhabi Ports Company is developing Khalifa Industrial Zone, which is located within Khalifa Port that will become the main commercial port in Abu Dhabi, and has established Dubai Industrial City, which includes 6 industrial zones for food, beverages, basic metals, metal products, chemicals, transport equipment, spare parts, machinery and mechanical equipment. There are 19 industrial zones in the Emirate of Sharjah, with production concentrated in transformative industries, foodstuffs, furniture, furnishings, mining, chemicals, medical materials, pharmaceuticals, and electrical cables, beside petrochemical industries, steel, cement and aluminum. There are also the industrial zones in the northern emirates (Ajman, Umm Al Quwain, Fujairah and Ras Al Khaimah).
10. Development of the volume of non-oil investments from AED 68.2 billion in 2005 to about AED 129.9 billion in 2016 with an average annual growth rate of about 6.0%. The number of industrial establishments has increased from 3294 in 2005 to 6301 in 2016 with an average annual growth rate of about 6.1%. The number of the employed in the industrial establishments doubled from 245.7 thousand in year 2005 to about 452.8 thousand in 2016 with an average annual growth rate that reached 5.7%.
11. Diversification of the industrial base of the food industry, a number of mining industries, ceramic industry, their integrated industries, cement, building materials and pharmaceuticals, to giant strategic industries such as aluminum, petrochemicals, iron and steel, aviation and advanced military industries.
12. Development of the legislative structure of industry, where the Ministry of Economy has developed and updated the following legislations:
    - Draft law amending the Federal Law No. (1) for year 1979 to regulate the industry affairs.
    - Federal Law on Rules and Certificates of Origin
    - Federal Law on Anti-Dumping and Countervailing and Preventive Measures
    - Amendment of the Federal Law No. (13) for year 2004 to control the import and export of raw diamonds
    - The proposal to issue unified rules and to give preference to government procurement of national products
    - The Standard Rules for the Control of Exemption of Industry Inputs from Customs Tariffs
    - Issuing the Small and Medium SME Law
13. Activating the role of small and medium enterprises through the establishment of a number of funds and programs including: Khalifa Fund for Supporting and Developing Small and Medium Enterprises, Mohammed Bin Rashid Establishment for Supporting Small and Medium Enterprises in Dubai, Sharjah Pioneer Entrepreneurship Foundation, Saud bin Rashid Al Mualla Program in Umm Al Quwain, and the Saud Bin Saqr Program to support the youth projects in Ras Al Khaimah, and coordinate them, and provide financing, technical, marketing and administrative facilitations for these projects.
14. Development of exports, especially the industrial, where the value of the country's exports of food products has grown during year 2015 with a total value of exports and re-exports amounted to 13.7 billion dirhams and a rate of 7.5% to total exports and re-exports combined in the translation of the country's leadership in the industry. Also the metal products with a value of AED 8.5 billion and a rate of 4.96%, chemical industries with a value of AED 10.3 billion and a rate of 5.5%, plastics and articles thereof, and rubber and articles thereof amounting to AED 16.8 billion and a rate of 9.5%, pearls and precious stones and articles thereof amounting to AED 148.6 billion and 79.7%, metals and articles thereof amounting to AED 39.1 and a rate of 23.0%, electrical machines, appliances and equipment amounted to AED 58.7 billion by 27.49%, and transport equipment amounted to AED 41.4 billion (19.41%).
15. Establishment of the Industrial Coordination Council to develop the industrial development priorities within a national vision so as to absorb the specificities of each emirate in order

to ensure concord and harmony between the different government policies and coordination between the requirements of education and industry to enhance their role in the post-oil economy; support the activation of the policy of diversification of sources of income and the expansion of national production capacities, with making industry more dependent on advanced technology and high expertise, and accelerating the increase of the contribution share of the industrial sector in the output of the country to about 25% by 2025.

16. Organizing the World Summit for Industry and Industrialization in 2017 which will establish the country position as the first global front for dialogue on industrial issues to be the global center to advance and develop industry and standardize its global standards.

The major constraints faced by industry:

The development of industry in the United Arab Emirates faces a number of obstacles, the most important of which are the following:

- The increase in the cost of production due to the high wages of labor and raw materials, the multiple fees imposed on factories and the scarcity of land allocated for industrial investment, which hinders the competitiveness of the national product to foreign products in the domestic and foreign markets.
- Lack of funding at appropriate prices and cost.
- Different procedures and regulations in the industry sector between one emirate and another.
- Weak cooperation, partnership and communication between the industrial establishments and the research centers, with low rates of expenditure and investment on research.
- The customs taxes imposed by the economic blocs, which creates unfair competition for UAE industries compared to other international industrial products.
- The absence of an industrial standards unit that raises the efficiency of the industrial products coming to the State, which negatively affects their quality and leads to a state of dumping in the local market.

Suggested solutions to address the obstacles facing the industrial sector

To address the obstacles facing the national industry and in order to achieve its development for supporting the national economy and increasing its contribution to the GDP as targeted, there are a number of recommendations and proposals that can be considered and studied in this regard, and these are as follows:

- The establishment of local academies and schools for the industrial qualifications as well as engineering faculties to graduate a native human person capable of managing, operating and developing the industrial sector.
- The establishment of research councils and industrial innovation support centers, which shall be responsible for the cooperation between the national research centers and the industrial institutions.
- Unifying the industrial procedures and decisions between the different emirates so as not to distinguish a product from the same product in both domestic markets and export markets.
- Forming specialized committees of experts and industrial investors to study ways to reduce the cost of the national industrial product.
- The establishment of incubators for the small enterprises at nominal prices as a remedy for the high rent prices which amount to about 50% of the cost of the projects.
- Giving the industrial investors a number of preferential and price advantages in granting licenses and revoking industrial duties as a compensation for the rising prices of the industrial raw materials, with the aim to raise the competitiveness of the national products with the foreign markets.
- Formation of giant industrial entities that have the ability to find cheap sources for the raw materials used in industries.
- Increasing the area of industrial lands and providing technical and financial support to small industrialists by the federal or local government agencies with reducing the prices of land leasing so that to reduce the cost of the final industrial product.
- Adopting policies and enacting legislations necessary to protect the national industry and guarantee the fair competition between the national and the imported products.

V. The Outlook for the United Arab Emirates Economy for 2017

Economic growth in UAE is expected to continue in 2017, supported by the prospect of a rebound in oil prices again and the trend towards a strong boost in economic diversification policies through the adoption of future national visions, plans and strategies to increase the levels of diversification according to quantitative targets and operational programs to achieve tangible achievement in terms of diversification, and to proceed forward with the implementation of investment projects in infrastructure sectors and the projects listed in the development plans for the expansion of airports and railways, means of land and sea transport, tourism facilities real estate, and those related to the preparation of the exhibition "Expo 2020", by taking advantage of the available reserves and surpluses, with encouraging the private sector participation in the implementation of projects. In contrast, it is expected that the quantities of oil production shall be affected in view of the commitment of the State to the agreement of OPEC and the main non-OPEC producers to extend the reduction of oil production until March 2018. Based on the above, and according to the estimates of the Arab Monetary Fund, the economy is expected to record a growth rate estimated at 2.4% during year 2017.

Furthermore, inflation rate is expected to reach 2.8% in 2017 as a result of the expected increase in the world oil prices, the increase in electricity and water tariffs, the introduction of some new tariffs and the liberalization of energy prices. While the high levels of inflation will reduce with the expectation of stability in the world commodity prices, the decline in houses' prices and rents with the increased supply levels by introducing new houses' units and the slower demand levels due to the postponement of implementation of some investment projects.

The commodity exports are expected to rise by 4.5% to reach $312 billion in 2017, in line with the expected improvement in the world oil prices. Imports also are expected to rise by 0.7% to reach about $232 billion. Reflecting these developments in exports and imports, the trade surplus is expected to rise 17.1% to reach about $80 billion.