

Economic data

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From the Economist Intelligence Unit

Source: Country Data

- There will be little threat to political stability in the UAE during the forecast period. Abu Dhabi will remain the dominant political force—courtesy of its oil wealth—and will increase its weight in the federation as Dubai experiences a steep economic downturn. The rulers of the seven emirates will continue to enjoy complete autonomy over decision-making within their emirates, as part of their membership of the Supreme Council of Rulers.
- Popular demand for democratic institutions from Emirati citizens appears minimal, in large part because of the country's energy wealth. Small steps towards a more participatory political structure began in 2006 and are expected to continue in 2009-13, but at a gradual pace, with the ban on political parties remaining in place.
- Foreign policy over the forecast period will remain focused on balancing relations with Western allies and commercial ties with Iran. The relationship with Iran has long been ambiguous, particularly because of the disputed ownership of three small islands that Iran currently controls. The likelihood of a US conflict with Iran has receded, and an Israeli strike is still a remote possibility.
- The government will continue to try to attract investment by offering low tax rates, imposing few trade or exchange controls, providing solid infrastructure and projecting a positive attitude to private-sector investment.
- The government will maintain high levels of spending in 2009-13, and with lower oil prices, the federal budget will fall into deficit from 2009, averaging 3.1% of GDP in 2009-13. A large part of the surplus oil revenue in recent years has been invested abroad and will be tapped to make up the budget shortfall. Monetary policy will be constrained by the peg to the US dollar.
- **Real GDP growth is forecast to average 5.1% a year in 2009-13, but growth will dip in 2009 as investment and construction fall, before recovering from 2010. Consumer price inflation is expected to ease in 2009.** Rising housing supply and falling demand will push down rental costs, and food and commodity prices will fall on the back of a world recession. Inflation will rise again in 2010-11, but will ease to around 6% in 2012-13.
- The current account will slip into deficit in 2009, owing to a sharp fall in oil prices, but will return to surplus in 2010, as growth in non-oil export earnings and services picks up. A dramatic increase in the fleet size of the UAE's airlines and multiple development projects will keep import growth high after 2010. Overall, the current-account surplus will average 1.4% of GDP in 2010-13.

Economist Intelligence Unit

Country Data United Arab Emirates



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Key indicators	2008	2009	2010	2011	2012	2013
Real GDP growth (%)	7.7	0.9	4.3	6.7	7.0	6.7
Consumer price inflation (av; %)	14.0	4.5	6.5	7.3	6.0	6.0
Budget balance (% of GDP)	12.4	-6.4	-2.8	-1.6	-1.7	-3.0
Current-account balance (% of GDP)	12.3	-5.5	0.7	1.5	2.1	1.4
Exchange rate Dh:US\$ (av)	3.67	3.67	3.67	3.67	3.67	3.67
Exchange rate Dh:€(av)	5.40	4.94	5.09	5.20	5.32	5.40

Investigation into Current & future state of UAE Construction Industry

Compiled January 2009

The report finds that the entire industry at January 2009 consisted of 1,289 projects totalling USD 1.28 trillion. In terms of cash flow, USD 11.2 billion is projected to be spent in January 2009. This is approximately 1% of the total budget.

In total 52.8% of total current projects are on hold, but USD 698 billion is still in operation.

The data suggests that only 2.4% of projects in the UAE are cancelled, with 10.6% of budget being typically spent before a project is cancelled.

Even with the decline in cash flow of late, the industry as a whole is in about the same financial position as it was in October 2008.

It is projected that a large number of projects will be completed in 1st Quarter 2009. Approximately 135. Another 70 will be completed in Quarter 2. This is more than the whole of 2008.

Infrastructure projects

233 projects - USD 1,351 million – 1.77% budget spent per month

Leisure & Entertainment

113 Projects – USD 1,298 million – 1.58% budget spent per month

Real Estate

953 projects – USD 8,559 million – 0.80% budget spent per month.

Conclusion

Effectively cash flow levels in 2009 are predicted to be similar to those in 2007. Although the industry in terms of cash flow is projected to decline significantly, the industry remains relatively healthy. Only a small number of projects put on hold tend to get cancelled, creating a pool of money that will probably be spent in the future

Source: Gulf Interiors, march 2009