



بنك الإمارات دبي الوطني  
Emirates NBD

## Economics

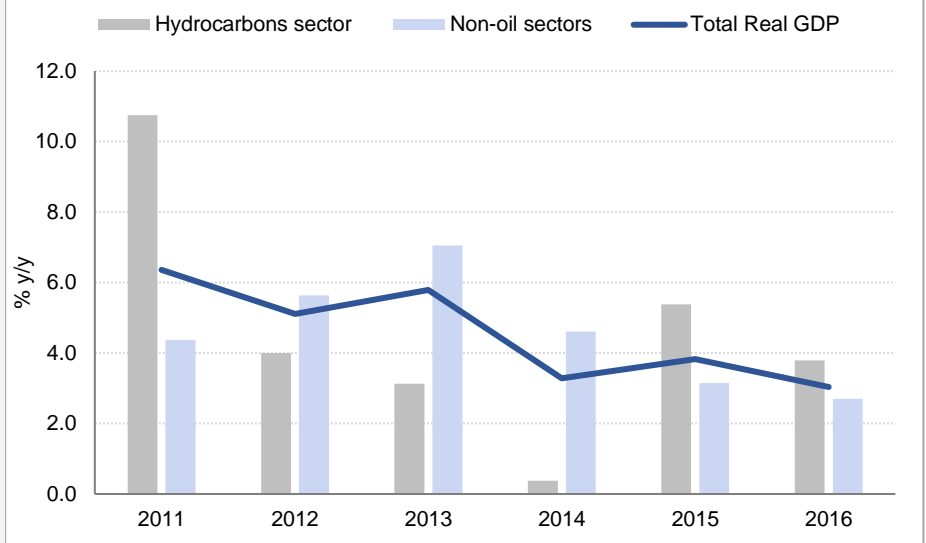
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# UAE's economy grew 3.0% in 2016

Provisional data released by the Federal Competitiveness and Statistics Authority shows that the UAE economy grew 3.0% in real terms last year, exactly in line with our forecast and slower than the 3.8% growth recorded in 2015. **Mining & quarrying**, which includes crude oil and gas extraction, expanded 3.8% in 2016, while the **non-oil sectors** grew 2.7%. The slowdown in non-oil growth last year (from 3.2% in 2015) is consistent with the UAE PMI survey data.

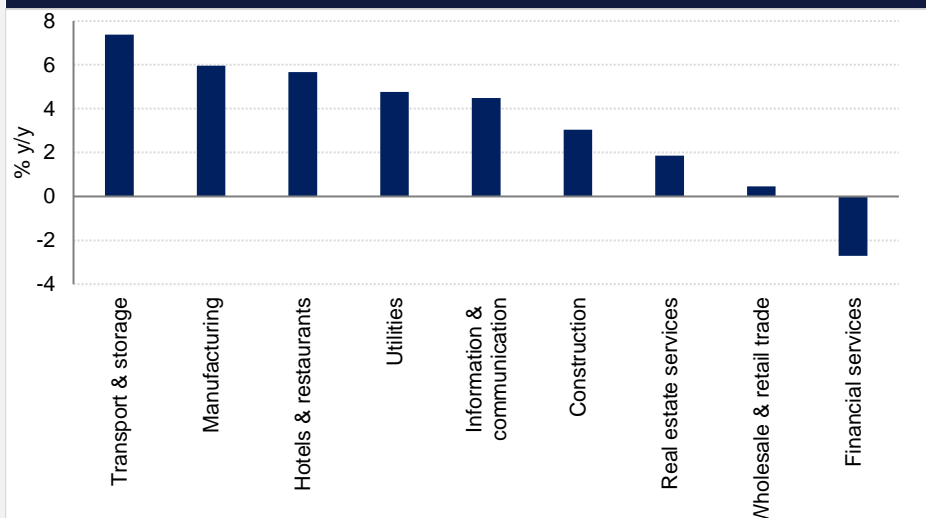
## UAE GDP growth



Source: Haver Analytics, Emirates NBD Research

The fastest growing non-oil sector (and the biggest contributor to overall growth last year) was **transport & storage** which expanded 7.4% y/y, up from 5.7% in 2015. **Manufacturing** and **construction** were the other key drivers of the UAE's growth last year, up 6.0% y/y and 3.0% y/y respectively. The **wholesale & retail trade sector**, which alone accounts for more than 10% of GDP, expanded just 0.5% in real terms in 2016, although this was an improvement from 2015.

## Key non-oil sector real growth rates



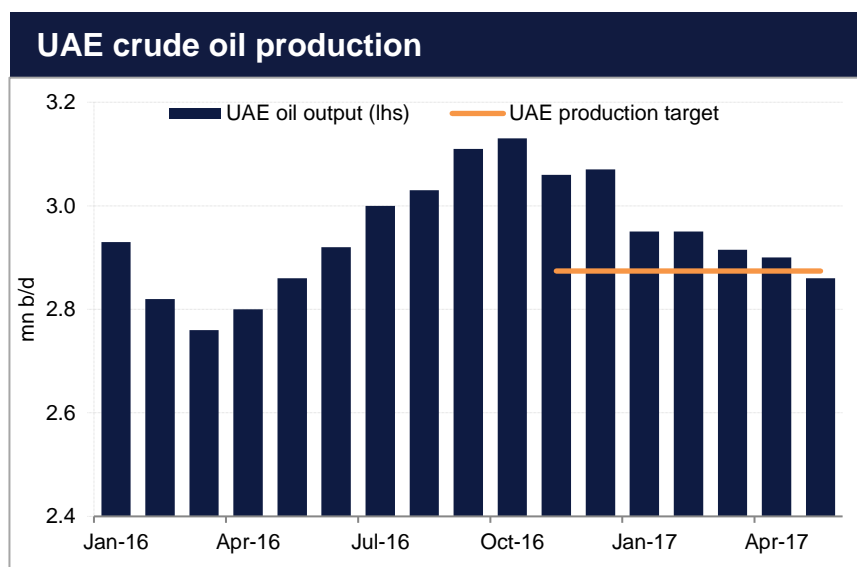
Source: Haver Analytics, Emirates NBD Research

**Accommodation and food services** grew 5.7% in 2016, after remaining flat in 2015, confirming a recovery in the travel, tourism and hospitality sectors last year. This is consistent with what we have seen from survey data such as the Emirates NBD Dubai Economy Tracker travel & tourism index. Only two sectors contracted in 2016: **financial & insurance activities** (-2.7% y/y) and **public administration, defense & social security** (-0.3% y/y), as private sector credit growth slowed and the government curbed spending on the back of lower oil revenues.

## 2017 UAE growth forecast revised lower on OPEC cuts

The UAE has the most diversified economy in the GCC with just under a third of real GDP coming from the hydrocarbons sector. **The OPEC agreement in November 2016 set a production target for the UAE of 2.874mn bpd for H1 2016.** However, the UAE's oil output was higher than this level from January through April and only reached the quota level last month, according to Bloomberg estimates. We had expected the UAE to boost oil production in H2 2017, once the curbs were lifted, as the authorities had long maintained an objective to boost oil production to 3.5mn bpd by 2020. As a result, we had forecast an overall expansion in the oil sector of the UAE for the full year 2017.

However, OPEC's decision in May to extend production curbs through March 2018 has meant that the UAE's crude output, if it remains compliant for the rest of the year, will decline -2% y/y in 2017. **Consequently, we have revised down our 2017 UAE real GDP growth forecast to 2.0% from 3.4% previously.** Our expectation for a rebound in the non-oil sectors this year remains unchanged.



Source: Bloomberg, Emirates NBD Research

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