UNITED ARAB EMIRATES
MINISTRY OF ECONOMY

THE ANNUAL ECONOMIC REPORT 2021

Twenty - Ninth Edition

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THE ANNUAL ECONOMIC REPORT

2021

Twenty - Ninth Edition

الإمارات
THE EMIRATES

عام
الاستعداد
للخمسين
Towards the next Fifty

Vision

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

Mission

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

Values

Innovation: Create a positive atmosphere to help those appointed from inside and outside the ministry to transform their ideas into distinguished applicable results that serve the ministry's vision and the competitiveness of the state.
Respect of Rights: Respect employees, consumers and all categories of customers', in accordance with applicable economic legislations and established work systems.
Sustainability : Do our best to fulfill social and environmental sustainability requirements in all economic activities.
Integration : Enhancing cooperation and integration aspects among economic sectors.
Competitiveness : Seek to achieve the prestigious position of our national economy both on local and international levels.
Excellence and Team Spirit : Work as one team to spread institutional excellence concept on all levels.

His Highness Sheikh Khalifah Bin Zayed Al Nahyan

President of the United Arab Emirates

Ruler of Abu Dhabi

His Highness Sheikh Mohammed bin Rashid Al Maktoum

UAE Vice President, Prime Minister and
Ruler of Dubai

HIS EXCELLENCY DR. THANI BIN AHMED AL ZEYOUDI

Minister of State for Foreign Trade

HIS EXCELLENCY ABDULLA BIN TOUQ AL MARI

Cabinet Member and Minister of Economy

HIS EXCELLENCY DR. AHMAD BIN ABDULLAH HUMAID BELHOUL AL FALASI

Minister of State for Entrepreneurship and Small and Medium Enterprises

The Speech of H.E. Abdulla BinTouq Al Marri

Minister of Economy

The year 2021 represented a milestone in the history of the United Arab Emirates since its inception, celebrating its golden jubilee and the five decades since the founding of the Union, and the most extraordinary march of renaissance advancement and development that the country has witnessed in various aspects and areas, driven by the vision of the wise leadership and its guidance to build the Emirates of the future.
This year, we are launching a new phase of achievement over the next 50 years with a forward-looking vision and proactive and ambitious plans under the principles of the Fifty-Year Charter formulated under the guidance of our wise leadership. The efforts exerted by the various government agencies in the United Arab Emirates, in cooperation with the private sector and global partners, complement each other to advance the progress and prosperity witnessed by the United Arab Emirates, and the goal is to strengthen and consolidate the UAE's leadership globally in various fields. The UAE's economy has proven to be vibrant, competitive, and unique over the past 50 years, with the country leading the world in 152 development and economic indicators. It has been ranked first worldwide in attracting talent and tourists, and the first regionally in attracting foreign direct investment, among other indicators of economic competitiveness. Our national economy has been able to stand out as an advanced model of achievement and sustainable development, enhancing the reputation and position of the State as the capital of the economy, finance, and business, and a global destination for entrepreneurial projects, talents, and innovators who find this good land a conducive climate and a stimulating environment to turn their aspirations into inspiring realities and success stories.

In 2021, the State launched the "Fifty Projects", which represent a new cycle of national strategic projects, establish a new phase of internal and external growth of the State, and develop the existing economic model to be more resilient, sustainable, and abler in keeping up with future trends. Also as part of preparations for the next 50 years, the State has undergone the most profound legislative changes in its history, including the drafting and modernization of 50 federal laws that contribute to a fundamental development in the legislative regulation of the economy to render it more competitive, resilient, open and capable of attracting global investment and successful companies in various sectors, particularly novel and future-oriented ones. The most prominent laws that have been modified include those governing industrial property and patents, business legis lation, commercial register, trademarks, copyright and related rights.The residence system has also been developed to attract talented and highly qualified people in various strategic sectors.

Within the context of the Fifty Projects, that Statehas expanded its network of economic, trade, and investment ties and partnerships with several countries of the world ,through programs such as global economic agreements. It has announced, for example, the largest initiative to attract foreign investment to the state orientation of the future, "The Emirates Investment Summit Investopia," which holds its first session in March 2022, with the aim of attracting AED550 billion to the country by 2030. Work will also continue on programs such as 10×10 to develop national exports bounded for several target global markets. Meanwhile, the "Entrepreneurial Nation," an integrated portal for the largest partnerships of their kind between the government sector and leading regional and global companies and establishments, has also been launched to take the country's entrepreneurship system to a new level and enhance its appeal to entrepreneurial projects and promising SMES from around the world.

Efforts are also under way to develop our national economy to serve the business environment and provide growth potential for economic and commercial activities in the country. Out of the Ministry of Economy's keenness to enhance the acquaint the government, private sector, academic circles and all stakeholders with the most important economic developments, we are pleased to present to you the 2021 Annual Economic Report, with details and complete analysis of the key economic indicators with a global as well as regional, Arab and Gulf perspectives. It reviews indicators of overall economy of the UAE and statistics on GDP, investment, trade, inflation, the labor market, and other indicators and figures that paint a clear picture of the economic activity in the country. With the analysis it provides of economic growth prospects in 2022, this report will hopefully add insight that highlights the most important economic issues of concern and meets the needs of government, academics, researchers, businesses, and interest groups, and contribute to strengthening decision-making and provide accurate predictions that help develop appropriate plans to achieve our aspirations for development and prosperity.

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World Economic Situation

GROWTH

5.9%

Global Economic Growth

The world economy is expected to achieve a growth of 5.9% in 2021 and 4.9% in 2022 (according to IMF estimates - October 2021), i.e., a decrease of 0.1 percentage point in the year 2021 as it was stated in July 2021 estimates. The drop in projections for 2021 reflects the reduction in the projections for advanced economies - partly due to disruptions in supply chains, and also for low-income developing countries, due to the aggravation in the dynamics of the pandemic. This reduction is partly balanced with the improvement of short-term prospects in some of the emerging market economies and primary commodity-exporting developing economies as a result of higher primary commodity prices, in addition to the increasing uncertainty about the speed at which the pandemic can be overcome, as a result of the rapid spread of the “Delta” strain and the risks of the emergence of new mutated strains. The choice between policy alternatives became more difficult, given the limited margin available for action, the increased risks in the financial markets and the growing vulnerabilities in the non-banking financial institutions sector. If the impact of COVID-91 is to extend to the medium term, it would reduce the global gross domestic product by a cumulative amount of $ 5.3 trillion over the next five years, compared with current projections. Expenditure on health care should remain a top priority, with more precision in routing vital supplies and transfers and enhancing them through retraining, support for aid and long-term support, and restructuring processes.

World Trade and Investment

The global flows of foreign direct investment is expected to reach their lowest levels in 2021 and then rise by an increase of 10% to 15%. However, these flows will remain less 25% of below the 2019 level and 40% below their peak in 2016.

This is attributed to the continuing uncertainty about the possibility of obtaining vaccines, the emergence of genetic mutations from viruses, and the delay in reopening sectors. The expectations of UNCTAD (Global Investment Report 2021) indicate an additional increase in 2022 that might return the expected foreign direct investment to the 2019 level of $ 5.1 trillion. This is expected to push the developed economies in global growth of foreign direct investment, where growth is expected to reach 15% in 2021, thanks to the strong activities of cross-border mergers and acquisitions, and thanks to the wider support of public investment.

The continued resilience of FDI flows to Asia (8%), as the region emerged as an attractive

destination for international investment throughout the pandemic period. A significant recovery in foreign direct investment in Africa, Latin America and the Caribbean is not expected to occur in the short term, as these two areas are suffering more structural vulnerabilities, and they have a narrower financial margin and are highly dependent on seed investments, the level of which is expected to remain low in 2021.

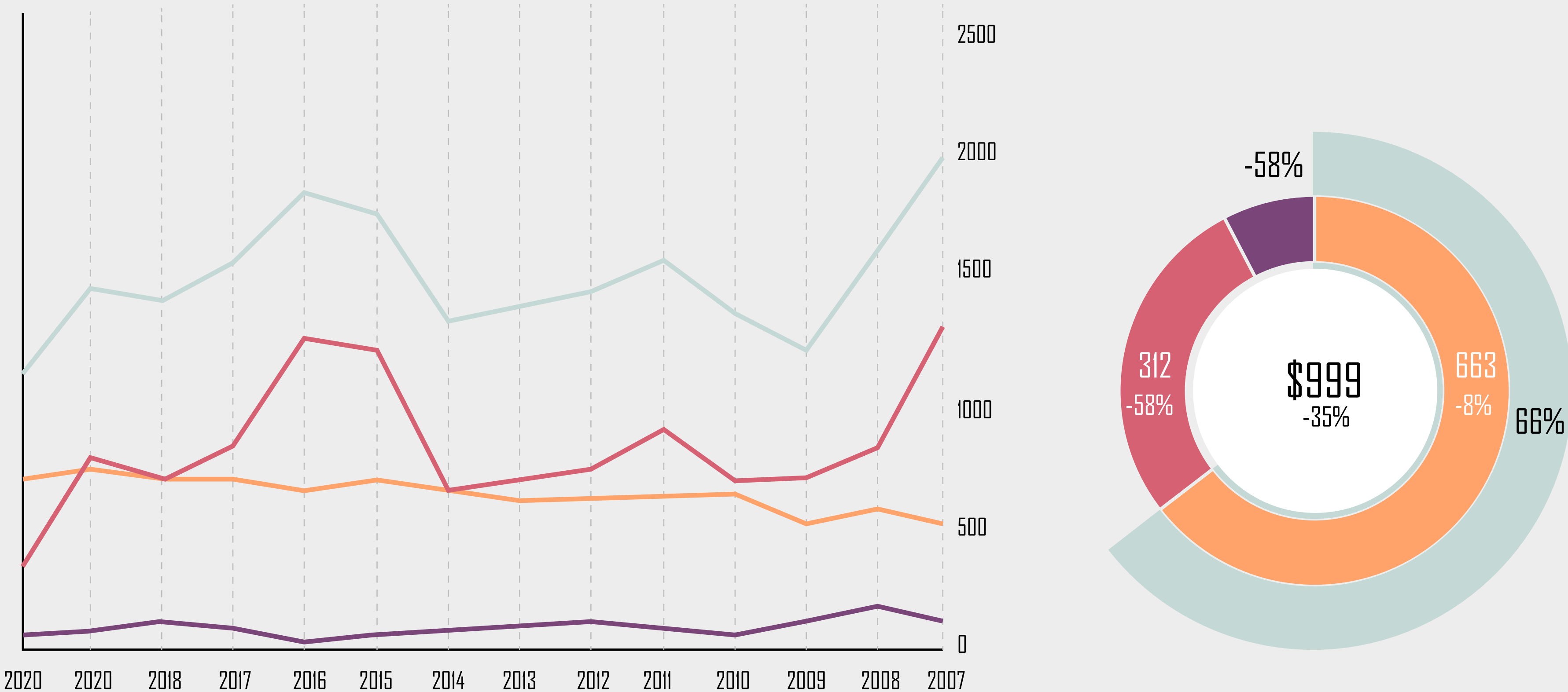
Food, agriculture, information and communication technologies, and pharmaceuticals are classified as the top three important sectors that attract foreign investment in 2021. The food and agricultural sector is considered important to attract foreign direct investment from developing economies and economies in transition, as witnessed by the information and communication technology sectors, , while the pharmaceutical industry is receiving increasing attention due to the pandemic.

15%

Expected growth of FDI in 2021

Figure 1

Incoming FDI flows worldwide, by group of economies (2020-2007), in billions of US dollars and percentage



Source: UNCTAD

Economies in Transition Advanced Economies Developing Economies Global Total

It is expected that the global trade in commodities will grow by 10.8% in 2021, after declining 5.3% in 2020. Trade growth is also expected to slow to 4.7% in 2022. The strong annual growth rate of merchandise trade in 2021 is mainly attributed to the collapse experience in the previous year when trade hit a nadir in the second quarter.

The improvement in commodity trade remains uneven. The Middle East, South America, and Africa regions are heading towards the weakest recovery in terms of exports, while the Middle East and Africa are witnessing a slower recovery in terms of imports.

The value of global trade in goods amounted to about $5.6 trillion and set an all-time record in the third quarter of 2021, trade in services amounted to about $1.5 trillion, and the quarterly growth in goods trade amounted to about 0.7%, while the growth of services stood at about 2.5% on an annual basis.

UNCTAD expected the commodity trade rate is to remain much higher than the growth rate of services (22% versus 6%), and that the trend towards slower growth of merchandise trade is likely to continue, in addition to a more positive trend for services, as trade in commodities is expected to remain stable, at about $5.6 trillion in the fourth quarter of 2021, while trade in services will likely continue to recover slowly. In general, the year 2021 is set to be a strong year for international trade, and the value of global trade in goods and services is expected to increase by about $5.2 trillion compared to 2020 and by about $2.8 trillion compared to 2019, which is equivalent to an increase of about 23% and 11%, respectively. Trade in commodities is expected to reach a record of $22 trillion in 2021 while trade in services is expected to reach $6 trillion in 2021 The positive trend of international trade in 2021 is largely due to the strong recovery in demand due to the easing of epidemic restrictions, economic stimulus packages and increases in commodity prices. However, the outlook for 2022 is highly uncertain. The 2021 recovery was characterized by large and unexpected fluctuations in demand, which increased pressure on supply chains. Logistical disruptions and high fuel prices led to supply shortages and rising shipping costs. The backlog across major supply chain hubs that characterized most of 2021 could continue into 2022 and thus negatively affect trade and reshape trade flows across all regions.

The growth rates of trade in the third quarter of 2021 were very strong in all geographical regions, although they were relatively weak in North America, Europe and East Asia, especially when compared to the third quarter of 2020, while the growth of exports was stronger in the regions of exporting essential goods with rising commodity prices.

Inflation Rates

The rise in overall CPI inflation in advanced and emerging market economies, since the beginning of 2021, is driven by robust demand, shortages of inputs, and rapidly rising commodity prices. In the next stage, headline inflation is expected to reach its peak in the last months of 2021, with inflation expected to return to per-pandemic levels by mid-2022 in both groups of advanced economies and emerging market countries, while the balance of risks tends to exceed expectations. Long-term inflation expectations will remain constant. There remains a great deal of uncertainty, particularly with regard to the assessment of slack economic activity. Prolonged supply disruptions, commodity and housing price shocks, longer-term spending commitments, and de-stabilization of inflation expectations can lead to inflation rising to much higher-than-expected levels. Inflation panic, which results from deviations in inflation expectations, can be avoided through proper disclosure, coupled with monetary and fiscal policies tailored to the conditions of each country.

Headline inflation rates have risen rapidly in the United States and some emerging markets and developing economies. In most cases, the rise in inflation is due to the inconsistency between supply and demand resulting from the pandemic, and the rise in commodity prices compared to their low a year ago.

In most cases, price pressures are expected to subside in 2022. In some emerging markets and developing economies, price pressures are expected to continue due to higher food prices, the lingering effects of higher oil prices, and lower exchange rates that have led to higher prices of imported goods. IMF projections indicate that the annual inflation in advanced economies will peak at an average of 3.6 % in the final months of 2021 before rebounding to an average of 2% in the first half of 2022. In line with the objectives of the Central Bank, emerging markets will see faster increases until they reach an average of 6.8% and then this average declines to 4%.

However, the outlook comes with a great deal of uncertainty, and inflation may remain high for a longer period. Contributing factors may include skyrocketing housing costs and prolonged shortages in supplies in advanced and developing economies, or food price pressures and currency depreciation in emerging markets.

Food prices around the world have jumped by nearly 40% during the pandemic, a severe challenge for low-income countries, where such purchases represent a large portion of their consumer spending.

Advanced Economies

Projections indicate that the aggregate output of the group of advanced economies will return in 2022 to its pre-pandemic level and exceed it by 9.0% in 2024. On the other hand, projections indicate that the total output of the group of emerging market and developing economies (except China) in 2024 will remain lower than the pre-pandemic predictions by 5.5%, which will result in a greater setback in efforts to improve their living standards. These divergent economic paths are attributed to the large disparities in access to vaccines and policy support.

Growth prospects for 2021 have declined, according to the International Monetary Fund's forecast in Its October 2021 issue, compared to the July forecasts This, in large part, reflects the lowered forecasts in the United States of America due to the large draw-down of stocks in the second quarter, which partly reflects supply disruptions. Consumption levels declined in the third quarter, also in Germany (which is partly due to the lack of basic inputs that affects the output of manufacturing industries), and Japan (due to the impact of the fourth emergency from July to September as a result of the number of infections reaching unprecedented levels during the current wave. US prospects reflect the recently Senate-passed Infrastructure Act and upcoming legislation to strengthen the Social Safety Net, which will cost nearly $4 trillion over the next 10 years. The basic scenario also includes grants and loans to the economies of the European Union within the framework of the European Union's Next Generation Plan. With continued progress towards providing vaccines to citizens, the expected improvement in recovery levels across advanced economies during the first half of the following year increases growth forecasts for 2022.

Table (1)

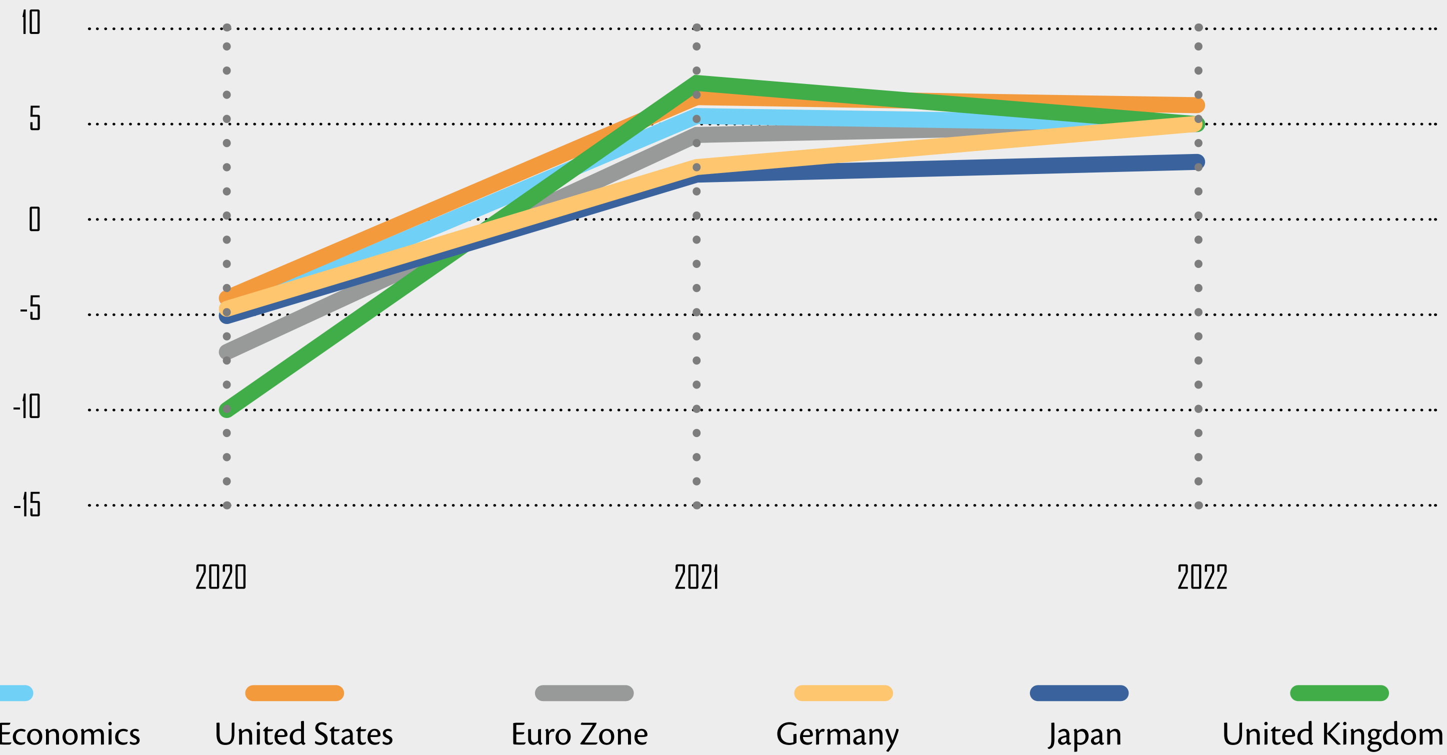
Real GDP Annual growth rate in advanced economies (%)

State	2020	2021	2022
Advanced Economics	-4.5	5.2	4.5
United States	-3.4	6.0	5.2
Euro Zone	-6.3	5.0	4.3
Germany	-4.6	3.1	4.6
Japan	-4.6	2.4	3.2
United Kingdom	-9.8	6.8	5.0

Source: IMF (International Monetary Fund)

Figure 2

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



Source: IMF (International Monetary Fund)

Economies of Emerging and Developing Markets

There was a slight increase in the projections of the emerging market economies group, and in China, the projections for the year 2021 were slightly behind due to more-than-expected cuts in public investment. Other than China and India, the projections have been lowered slightly in emerging and developing Asia with the outbreak of the pandemic anew. Other regions witnessed a slight increase in growth projections for 2021. The amendments, in part, reflect the improvement in the evaluation of a number of commodity exporters, whose impact has outweighed the adverse repercussions resulting from the developments of the pandemic in (Latin America and the Caribbean.) the Middle East, Central Asia, and Sub-Saharan Africa). The improvement in domestic demand compared to the projected levels in other major regional economies led to an increase in projections again for 2021 Emerging and Developing Europe. As for the group of low-income developing countries, the growth projection was reduced by 6.0 percentage points compared to July due to the continued slowdown in the provision of vaccines, which is the main factor influencing the recovery. Analytics from the International Monetary Fund indicate that low-income developing countries will need to spend approximately 200$ billion to combat the pandemic and $250 billion to restore their pre-pandemic paths of convergence. Labor market prospects are still relatively bleak for low-skilled workers compared to other demographic groups, which indicates the exacerbation of inequality in the countries of this group and makes them more vulnerable to a decline in incomes below the extreme poverty lines. It is estimated that about 65-75 million more people will fall into extreme poverty during 2021, compared to pre-pandemic projections

Table (2)

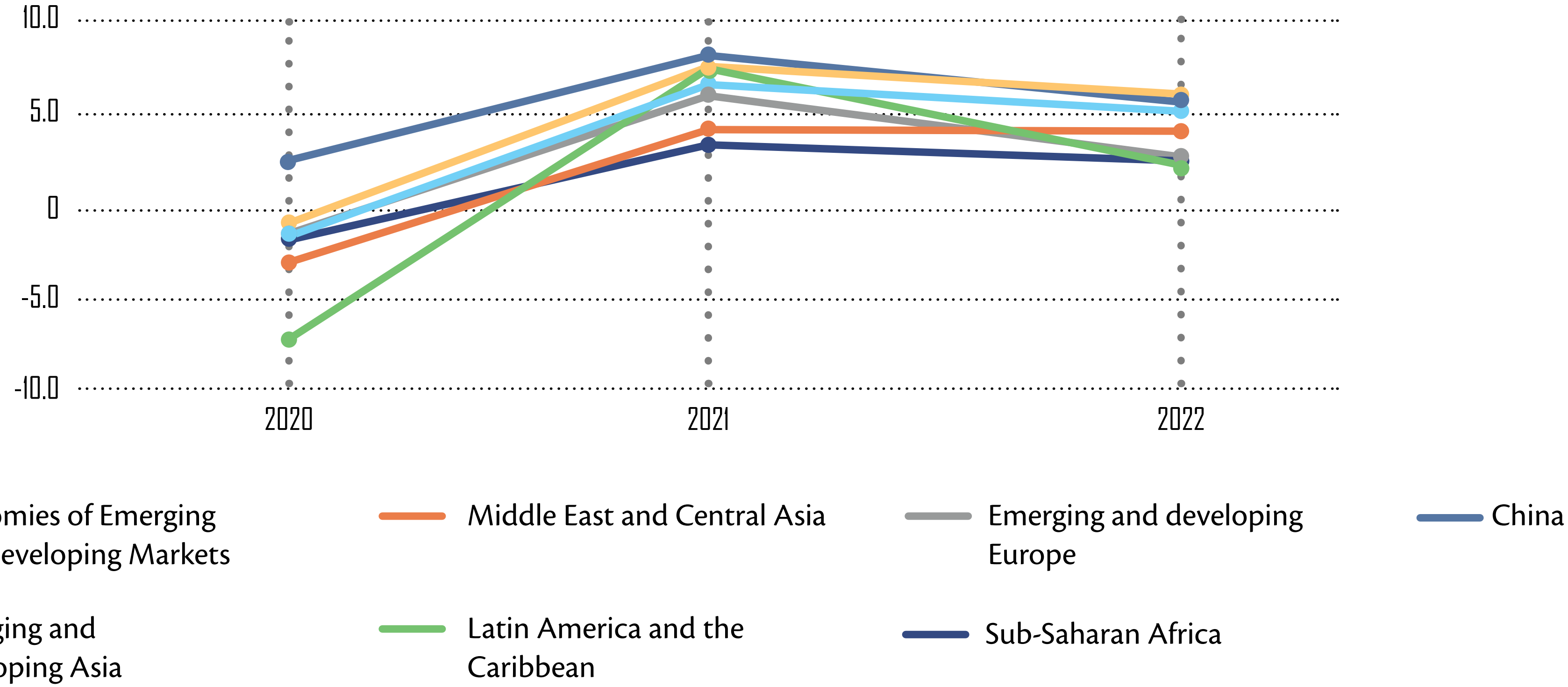
Real GDP Annual growth rate in emerging markets and developing economies (%)

State	2020	2021	2022
Emerging markets and developing economies	-2.1	6.4	5.1
Middle East and Central Asia	-2.8	4.1	4.1
Emerging and developing Europe	-2.0	6.0	3.6
Emerging and developing Asia	-0.8	7.2	6.3
China	2.3	8.0	5.6
Latin America and the Caribbean	-7.0	6.3	3.0
Sub-Saharan Africa	-1.7	3.7	3.8

Source: IMF

Figure 3

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



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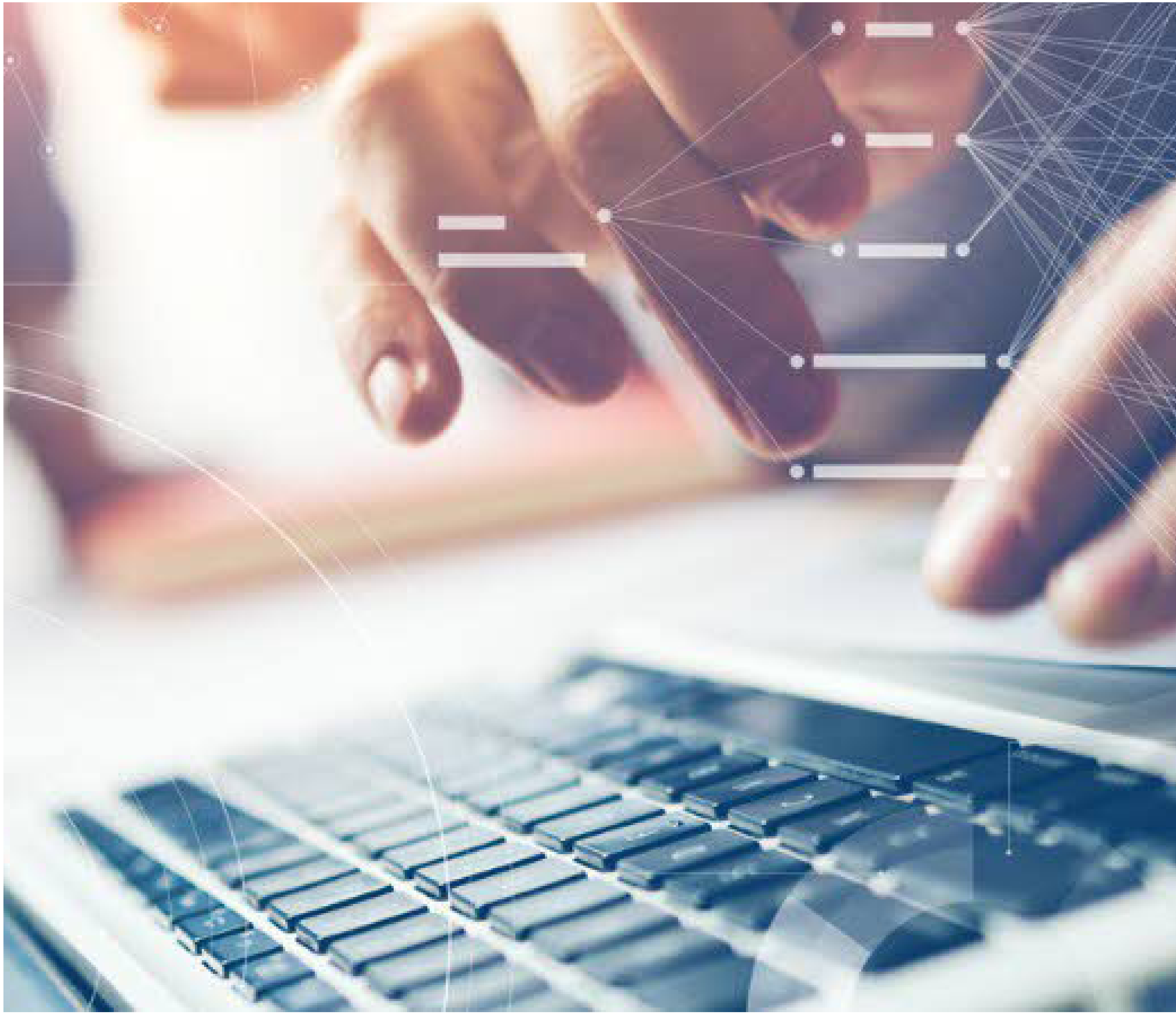
Arab Economic Situations



Economic Growth

The achievement recorded in the vaccination campaigns encouraged a number of Arab governments to ease restrictions on economic activities. It also contributed to the recovery of a number of economic sectors that have strong direct and indirect links with other sectors starting from the second quarter of 2021. Perhaps the most important of these are the sectors of exports, tourism, construction, public works, internal trade, manufacturing, pharmaceuticals, communications and information technology. Several other factors also contributed to supporting the economic recovery of the Arab countries in 2021, topped by the high growth projections of the global economy and international trade, and the recovery of global energy demand, in addition, the Arab central banks and ministries of finance were keen to provide the working environment with a number of stimulus measures to drive aggregate demand in the context of financial support packages totaling $327 billion since the beginning of 2020 until the end of September 2021.

In light of this, the Arab Monetary Fund expects Arab economies as a whole to grow by 2.6% in 2021, while the economies of the Arab oil-exporting countries group are expected to end the current year with a growth of 2.7%. The countries of the group benefited from a number of determinants, perhaps the most important of which is the increase in world oil prices by about 63% since the beginning of this year until mid-October. Meanwhile, the economies of the Arab oil importing countries group are expected to grow by 2.5% this year due to a number of factors, foremost of which is the improvement in external demand, the rise in labor transfers, and the relative recovery of the tourism sector with the progress in vaccination campaigns and the reopening of economies

On the other hand, the pace of economic recovery for Arab countries is expected to strengthen in 2022, bringing the economic growth rate of the Arab countries group to 5.2%, as a result of a number of factors, foremost of which is the expected rise in the quantities of oil production for a number of the main Arab oil-producing countries within the framework of the OPEC+ agreement starting from May 2022. In light of this, the economies of the Arab oil-exporting countries group are expected to grow by 5.5%. On the other hand, a parallel increase in the growth rate of the economies of Arab oil-importing countries is expected to reach 4.6% next year 2022. This is due to the continued recovery of global demand, and the expectations for a number of important economic sectors to re-assume their key role in these countries, especially tourism and exports, as as they continue to reopen their economics and in light of the expectations for greater progress in the vaccination campaigns next year.

At the level of individual Arab countries, five Arab countries are expected to fully recover from the repercussions of the pandemic in 2021, while nine Arab countries are expected to recover from the repercussions of the Covid-19 pandemic in 2022, and the recovery period for the rest of the Arab countries will extend beyond 2022.

Meanwhile, the International Monetary Fund projects the real GDP of Arab countries to grow by 4.1% in 2021 and 2022 as some countries have made remarkable progress in vaccination rates, such as Jordan, Morocco and Tunisia.

The International Monetary Fund also expected that emerging market and middle-income countries in the region, such as Egypt, Lebanon, Morocco, Syria, Tunisia and Gaza, will witness a 3.6% increase in real GDP in 2021, and an additional increase of 4.2% in 2022. Thus, it remains below the projected growth rates for emerging market and middle-income countries around the world during 2021 and 2022 (5.1% and 6.7%), respectively.

Source: International Monetary Fund , Arab Monetary Fund

Average GDP per capita in the Arab World

According to the International Monetary Fund database, the per capita GDP at current prices amounted to $238,724 during 2021. GDP per capita - often considered a more accurate measure of the standard of living - sends a more worrisome message, as a projected 1.1% increase in 2021, after a 5.4% drop in 2020, has led to a decline in real GDP per capita by 4.3% from its 2019 levels.

The per capita GDP is one of the best measures of countries' wealth, as it provides insight into the average living standards of the citizens of each country, and involves a representation of the amount of goods and services made available for each individual. Qatar topped the Arab countries with the highest per capita GDP for the year 2021, with an average of 61.7 thousand US dollars,

The UAE came in second place, with an average of $43.5 thousand, followed by Kuwait in third place, with an average of $27.9 thousand. In fourth place, Bahrain came with an average of $26.9 thousand, followed by Saudi Arabia with an average of $23.6 thousand.

Inflation

The IMF projects inflation in the economies of Arab countries to rise to 12.9% in 2021 as a result of hiking food and energy prices and monetary easing in some countries, before declining to 8.8% in 2022.

Inflation rates are expected to rise in all emerging market and middle-income countries. In general, projections indicate that inflation will continue to rise in this group to exceed 7.5% during the period 2021-2022 before declining gradually to 6% in the medium term.

Beside international food prices, the exchange rate and oil prices developments will be key factors behind the inflation dynamics in countries with flexible exchange rates, as they account for about a quarter of the size of fluctuations in inflation rates on average during previous periods

The Arab Monetary Fund projected a high inflation rate for Arab countries during 2021, amounting to about 13.2% as a result of the tangible rise in global food prices, in addition to the high prices of energy products, especially since a number of Arab countries are following the automatic pricing mechanism for energy products to comply with changes in global levels of oil prices. Meanwhile, it projected the general level of prices to be affected by the pass through effect resulting from the pressures facing the local currency exchange rates in some Arab countries, in addition to the escalation of inflationary pressures resulting from the impact of the increase in domestic demand levels in some countries as a result of the increase in the levels of money supply and the increase in wage rates. It also predicted that the general level of prices in some Arab countries would be affected by changes in the. volume of agricultural production related to climatic fluctuations in these countries.

As for 2022, the Arab Monetary Fund projects a relative decline in inflationary pressures due to the removal of part of the current bottlenecks affecting supply chains and the expected increases in the levels of supply of goods and services to record a drop of 6.1%.

Arab Budgets

As the economic recovery continues, fiscal balances are expected to gradually improve due to the recovery of revenues at the level of economic cycles, the lifting of pandemic-related measures, and the expected fiscal consolidation in the medium term in countries with increased debt burdens such as Egypt. The IMF also expects a decrease in the fiscal deficit in the Arab oil exporting countries as of 2021 as a result of the current recovery, the rise in oil prices and the removal of related measures and fiscal control effort. However, government debt as a percentage of GDP is likely to remain above its level before the pandemic in the medium term, despite its reduction from the peak levels reached during the crisis. As a result, total public financing needs are expected to remain high, amounting to $473 billion as a whole during the period 2021-2022, compared with $310 billion during the period 2018-2019.

Arab Unemployment

The COVID-19 pandemic has exacerbated the massive labor market challenges in the Arab States region. In 2020, job losses in most countries were unprecedented in scale, scope, and speed. The most vulnerable groups have borne the brunt of the pandemic's burden, with low-skilled, youth, women, migrant workers and informal workers among the hardest hit.

The Arab region has entered the battlefield of the pandemic while suffering from poor labor market outcomes. In the years 2018 and 2019, the average unemployment rate in the Middle East and Central Asia was 9.4%, the highest in the world, while the labor force participation rate was the lowest 55%.

The pandemic has caused huge losses in labor markets globally and in the Middle East and Central Asia, as the average unemployment rate in the region increased from 9.4% before the crisis to 10.7% in 2020. As workers became unemployed or dropped out of the workforce, the number of employed people in the region decreased by an estimated 8 million people, or 2.2% of the working-age population.

Women in general were also more affected by the crisis than men due to the sectoral distribution of women´s employment and their over-representation in unpaid care work. Compared to the average in 2018 and 2019, the female unemployment rate in 2020 increased faster than the male unemployment rate.

Their employment levels decreased by 6.1%, compared with 3.9% for men. However, corresponding declines in the employment -to-working age population ratio were greater among men, likely due to the under-representation of women in the region›s labor force, which widens the gender gap in terms of labor market outcomes.

Young people were the most affected by the pandemic, as its negative effects on their employment opportunities in the labor market were greater compared to the older category. Low- skilled employment has not avoided the repercussions of the pandemic, either. The employment rate in the bracket has fallen almost twice as much as that of high-skilled employment, which may be attributed to the increased ability of high-skilled workers to work from home and the increased spread of working from home in areas where a broader access to Internet services is available.

The pandemic had a profound impact on employment in the private sector, which decreased by 2.5%, compared with 1.1% drop of jobs in the public sector. The pandemic has also had a negative impact on wages. With a few exceptions, countries saw lower real wage growth in 2020 than in 2018 and 2019.

Arab Indebtedness

The COVID-19 pandemic has led to an increase in the fiscal deficit and an increase in the public debt-to-GDP ratio in the Middle East and Central Asia, which has contributed to a decline in debt stability prospects in several countries

The expectations of the International Monetary Fund indicate a rise in total debt from 86.8% of GDP in 2020 to 91.7% of GDP in 2021, to decline gradually during the period 2022-2026, so that it returns to pre-crisis levels in 2023. Debt accumulation during the year 2020 also led to a sharp rise in the total public financing needs, as it is expected to reach $564 billion as a whole during the period 2021-2022, which represents an increase of approximately 20% compared to the period 2018-2019.

The increase in debt and contingent liabilities as a result of extra-budgetary measures, such as the provision of loans or guarantees, and many other quasi- financial operations, including operations done through state-owned enterprises, have also contributed to the weakening of government balance sheets, threatening the prospects for debt stability.

After the total current account deficit contracted as a result of the collapse in domestic demand and oil prices in 2020, it is expected to rise from its level in 2020 of 3.4% of GDP to 3.9% of GDP in 2022. This reflects the balance between the positive impact of the global recovery on the export of goods, the impact of high oil prices and the recovery of domestic demand for imports, and the slowdown in the recovery in the travel and tourism sectors in Lebanon and Morocco. These projections underscore the need for sound and urgent fiscal measures. Even before the COVID-19 pandemic, the probability of debt instability was already high, on average, 44% across countries in the Middle East and Central Asia.

Tangible debt reductions targeted by emerging economies are contingent on relatively strong fiscal consolidations over the medium term.
However, the socio-political feasibility of these efforts may be at stake in the context of fragile recovery paths affected by high unemployment rates.
The rise in total government debt in oil-importing countries in the Middle East and North Africa region, by more than 100% of GDP in 2021,
according to projections, has led to an increase in total financing needs by nearly 50% during the period 2021-2022 (to $390 billion) compared to the period 2018-2019

3

The Gulf Economic Situations

The economies of the GCC countries are expected to recover during 2021 and 2022 from the effects of the Covid-19 pandemic, supported by a bundle of factors, the most important of which is the continued adoption of a set of initiatives and stimulus packages that support economic activity with the aim of giving a boost to the private sector and maintaining jobs. Non-oil sector is also expected to further contribute to supporting economic growth during the coming period. The relative recovery of product in the oil sector will also help support economic growth as a result of higher prices and production quantities.

The Arab Monetary Fund projects the GCC countries to register an estimated growth rate of 2.5% during 2021, and about 5.5% in 2022, compared to a decline of 5.4% in 2020.

Economic Growth

The World Bank estimates that the economies of the GCC countries will return to the growth path, achieving an overall growth of 2.6% in 2021. Strong recovery in the GCC countries is driven by the growth of non-oil sectors and the increase that oil prices have witnessed, which will accelerate during 2022 in parallel with the progressive cancellation of oil production cutbacks in accordance with the OPEC + Agreement, improved confidence among business institutions, and working on attracting additional investments.

The favorable conditions of the oil market have reduced the imbalances that affected the GCC countries' public finance and external accounts, while their export revenue witnessed a recovery. The medium-term future prospects are still liable to risks arising from slowed global recovery, the renewed outbreak of Coronavirus, and oil sector fluctuations.

The International Monetary Fund also foresaw that the GDP of the GCC countries will grow by 2.5 percent during 2021, driven by the growth of the non-oil economy in the region.

It is projected that the non-oil GDP in the countries of the GCC will grow by 3.8% in the current year, while the oil economy will grow by 0.3%

The IMF expects that the oil economy in the GCC countries will grow by 5.3% next year, amid the recovery of energy demand and production growth brought about by the OPEC+ agreement.

The GDP of the Gulf countries contracted by 4.8% in 2020 as a result of a 5.9% decline in oil production and a 3.9% contraction in the non-oil sectors in light of the economic closure to confront the pandemic, and limit the spread of the Corona virus.

The IMF also expects the UAE economy to grow by 3% in 2022, while it will grow by 2.2% during 2021.

Table (3)

Real GDP growth rates of GCC States (2019 -2020) (%)

State	2019	*2020	*2021	*2022
UAE	3.4	-6.1	2.2	3.0
KSA	0.3	-4.1	2.8	4.8
QATAR	0.8	-3.6	1.9	4.0
OMAN	-0.8	-2.8	2.5	2.9
KUWAIT	-0.6	-8.9	0.9	4.3
BAHRAIN	2.6	-5.1	2.4	3.1

Source : World Bank

Estimates*

Inflation Rates

The IMF expects that the level of inflation in the GCC countries will be contained by 2% to 2.5% during 2022, compared with 3% in 2021, as a result of the swift action by policy makers in the GCC countries to mitigate the health and economic impacts of both “COVID- 19” and oil prices. In addition, as infection rates at the level of the GCC countries declined greatly compared to the previous peak levels, despite the successive waves of the virus these countries witnessed, aspects of economic recovery began to take root.

Fiscal and external accounts

The IMF projected that the rise of oil prices and exports would contribute to strengthening the external economic position of oil-exporting countries, including GCC countries, where it is expected that their current account balances will record a surplus of 6.3% of GDP in 2021, which exceeds prepandemic levels, compared with a deficit of 9.1% of GDP in 2020. It is expected that this surplus will gradually decline in the medium term in light of the expected stability in oil prices. It is projected that the total official reserves will increase by $95 billion to reach nearly $1 trillion in a djusting the forecasts with an increase of more than $100 billion in 2021.

The GCC fiscal policy measures also focused on enhancing financial resources directed to the health sector, and strengthening and expanding the scope of social protection programs by increasing the number of families benefiting from social safety nets. The Gulf countries will continue with business support programs aimed at maintaining employment stability, and alleviating the economic burdens on private sector facilities affected by the pandemic, including tourism and recreational activities sectors and the exhibitions and conferences sector. Plans in place to exempt companies that are still closed from government service fees, municipal fees and commercial registration renewal fees, and postponing the collection of customs duties on imports in return for providing bank guarantees have been extended.

Moreover, the implementation of structural reforms continued to increase the levels of public revenues and control expenditures in the context of fiscal balance programs , aiming in total to achieve primary surpluses in public budgets, ranging between 1.5% a nd 4.8% of GDP in 2021.

Monetary and Banking Situation

Gulf central banks continued to adopt an accommodative monetary policy to support the economic recovery by maintaining low levels of interest rates. Programs of deferring loan installments on sectors affected by the repercussions of the pandemic until September of 2021 remained in effect until the end of 2021. Gulf central banks continued to support liquidity by continuing to implement permanent repurchase agreements (Outright), and facilitating the terms of guarantees provided against refinancing operations.

Plans to provide sufficient guarantees for banks to encourage them to extend credit to sectors that have been affected by the crisis and sectors that stimulate economic recovery continued until the end of 2022.

Table (4)

Key economic indicators of the GCC states

State	2019	2020	*2021	*2022
Annual growth in real gross domestic product (GDP %)	1.0	24.8	2.5	4.2
Of it, non-oil Product (%)	2.7	23.9	3.8	3.4
Current account balance (percentage of GDP %)	5.8	20.4	6.0	6.3
Public fiscal balance (percentage of GDP %)	21.5	28.8	21.8	20.4
Inflation rate (annual average %)	21.5	1.2	2.8	2.4

Source: International Monetary Fund

*Estimates

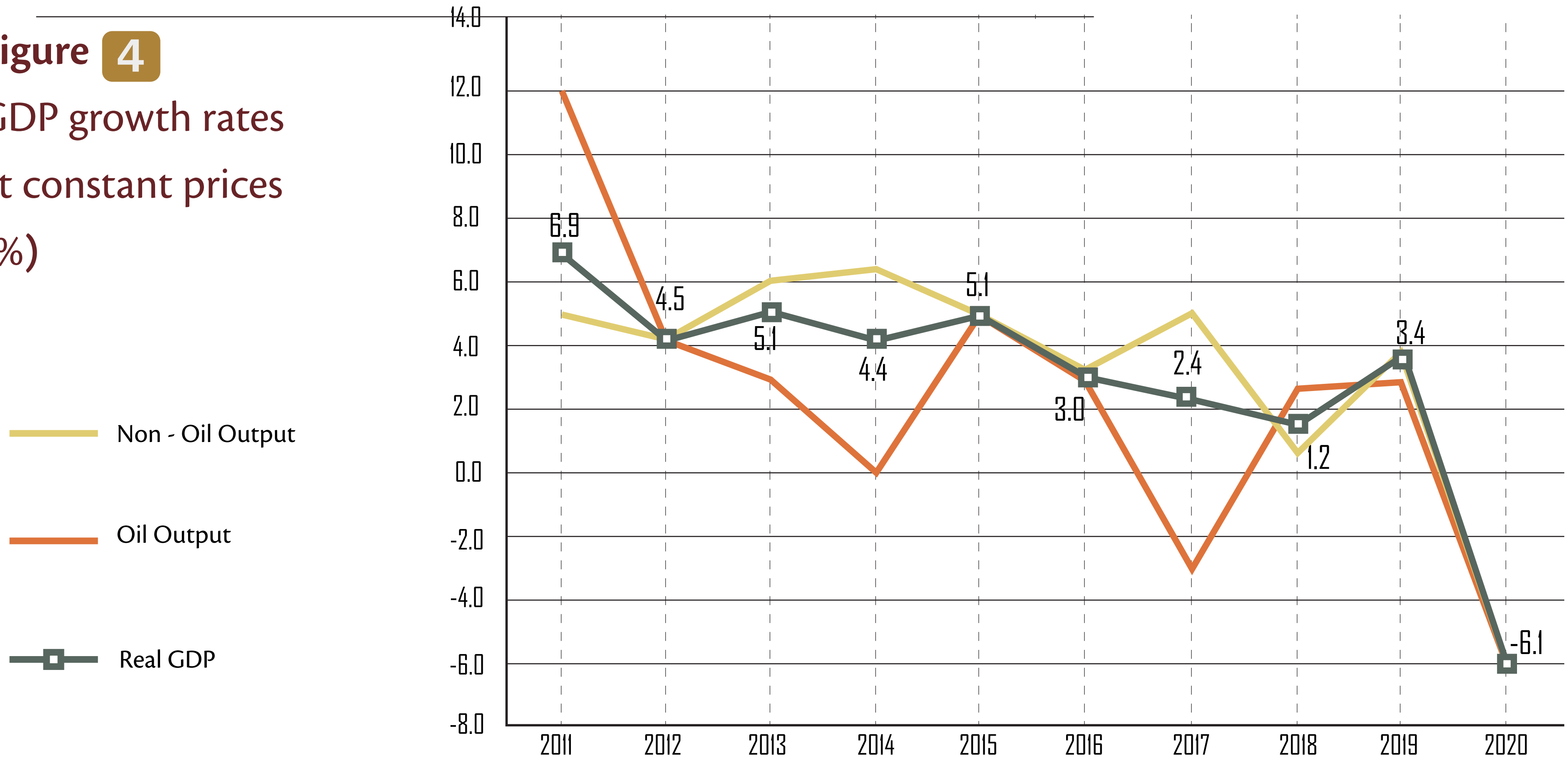
4

The Performance of National Economy

4.1 Gross Domestic Product

Real GDP recorded a stagnation rate of (-6.1%) in 2020, compared with a growth of 3.4% in 2019. This decline in real product in 2019 came as a result of the contraction of non-oil output at a rate of (-6.2%) and the contraction of oil output by (- 6.0) %. The GDP at constant prices amounted to AED1,418.9 billion for the year 2020, while the GDP at current prices amounted to AED1,317.9 billion.

Figure 4 GDP growth rates at constant prices (%)

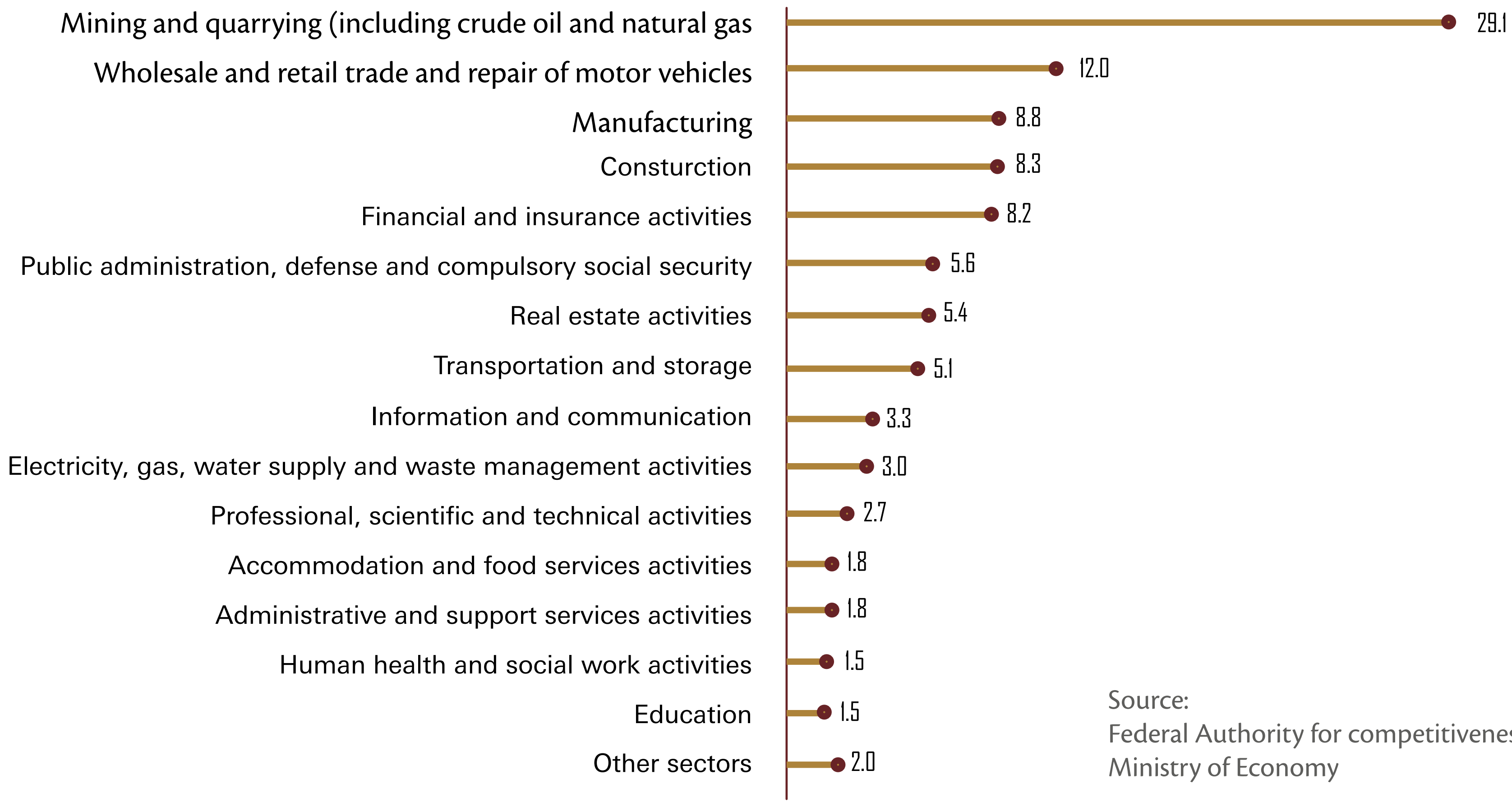


Source: Federal Authority for competitiveness and Statistics and Ministry of Economy

According to the sectoral distribution of GDP at constant prices for the year 2020, the various non-oll sectors accounted for 70.9% of the output, while the share of the oil sector reached 29.1% in the non-oil sectors, the “wholesale and retail trade and vehicle repair sector accounted for the largest share at 12.0% of the teal GDP, followed by the “manufacturing” sector at 8.8%, the construction sector at 8.3%, and the “financial and insurance activities” sector at 8.2%. The chart below shows the level of economic diversification in the state's production structure and the relative importance of the various economic activities as contributors to GOP

Figure 5

Sectoral distribution of GDP at constant prices for 2020 (%)



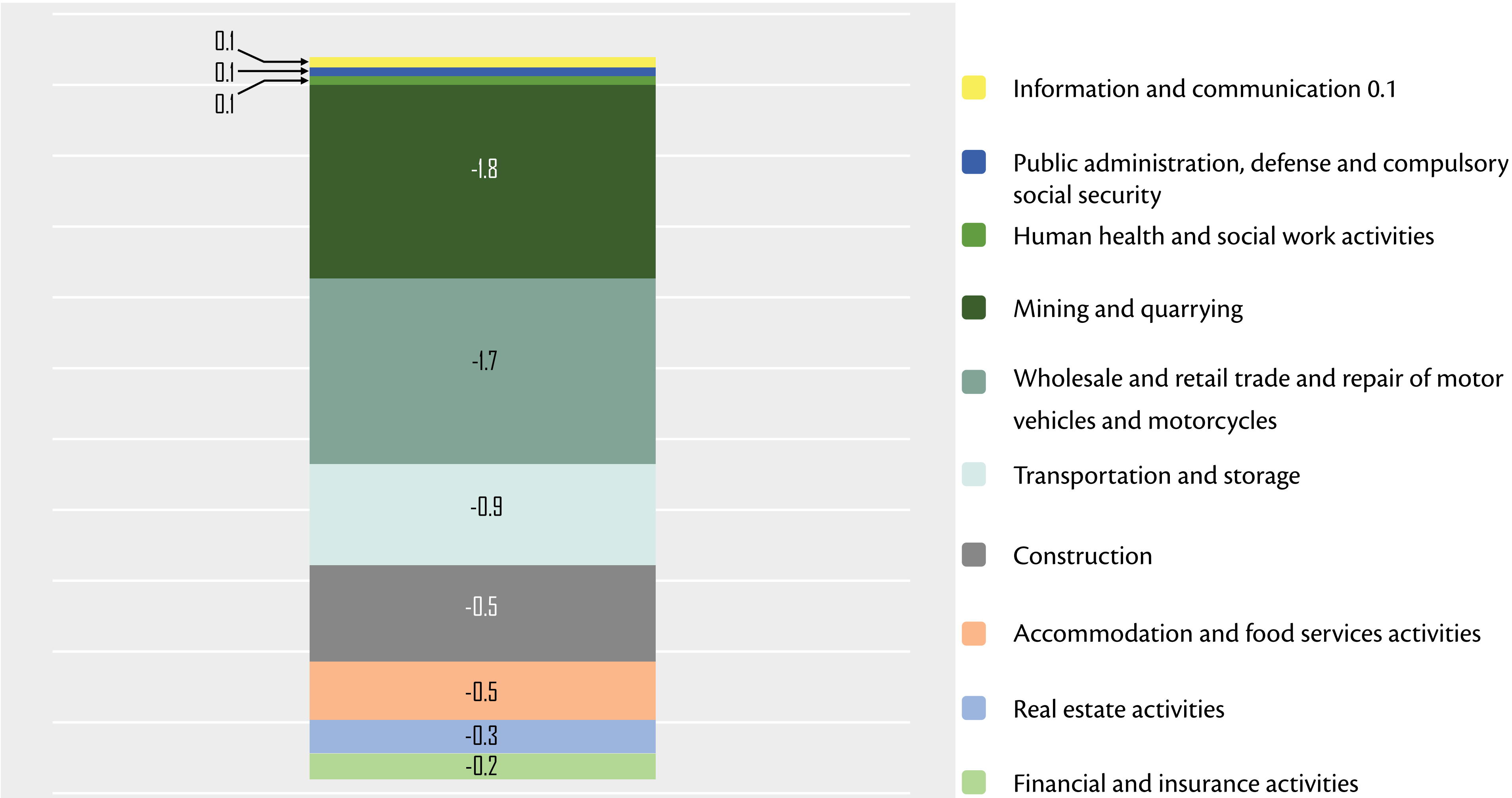
Source:
Federal Authority for competitiveness and Statistics and Ministry of Economy

By analyzing the contribution of economic sectors to the economic downturn for 2020, the non-oil sectors contributed the largest percentage of - 4.3 percentage points of the overall decline in GDP of -6.1%, while the oil sector contributed a negative contribution of -1.8 percentage points. Among the non-oll sectors, “ the wholesale and retail ” trade sector contributed -1.7 percentage points, transportation and storage by -1.0 percentage points and the construction sector by -1.0 percentage points. The “real estate activities”, “financial and insurance activities ” and “accommodation and food services activities ” sectors collectively contributed -1.0 percentage points to the contraction in real GDP.

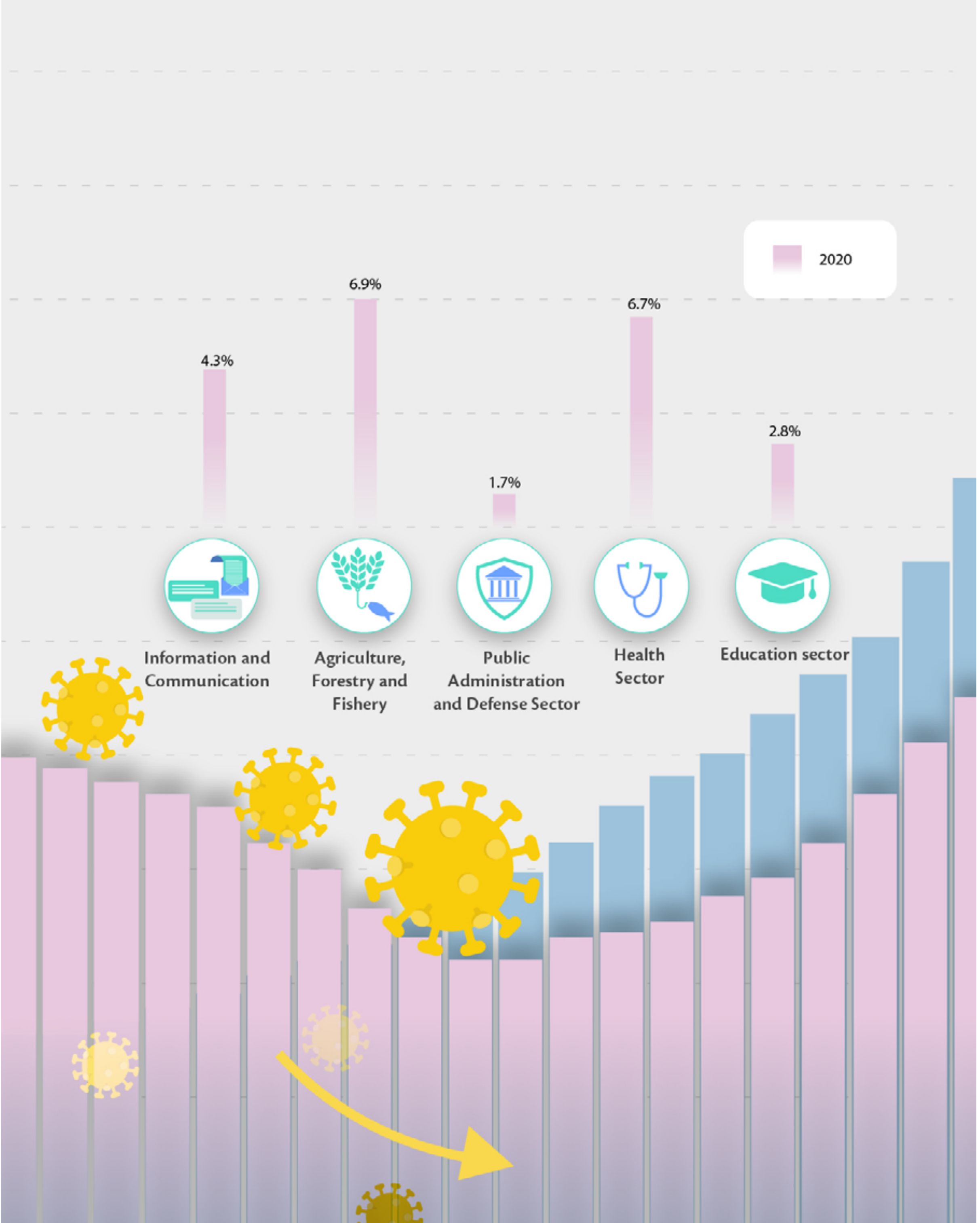
On the other hand, some sectors made positive contributions to the output, most notably the sector of human health and social work activities, information and communications, public administration and defense, which collectively contributed about + 0.3 percentage points.

Figure 6

The contribution of economic sectors to the decline in economic growth for the year 2020



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



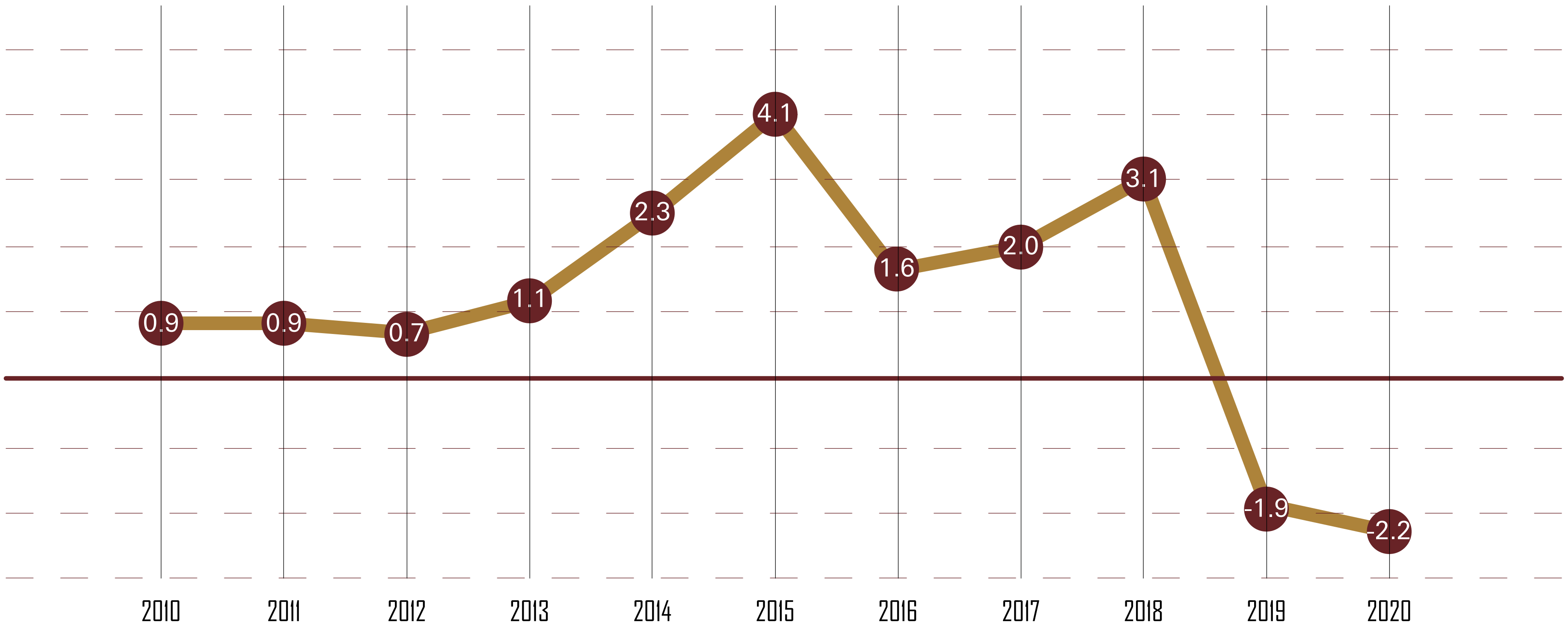
Economic sectors benefiting from the COVID-19 pandemic

Despite the adverse repercussions of the Covid-19 pandemic on the national economy including a decline in aggregate demand, and a decline in the activities of the majority of economic sectors, some sectors benefited during the pandemic. The most prominent of these sectors is the information and communications sector, where the growth in this sector doubled to reach 4.3% for the year 2020, compared with a growth of 2.7% for the year 2019. The same applies to the agriculture, forestry and fishing sector, which recorded a remarkable growth of 6.9%, compared with a growth rate of 3.8% in 2019. Also the public administration, defense and compulsory social security, which grew by 1.7% in 2020, compared with -0.1% in 2019. Both the health sector and the education sector achieved positive growth rates in 2020, amounting to 6.7% and 2.8%, respectively. The manufacturing sector was also able to maintain the stability of its activity and achieve a slight positive growth rate of 0.2%.

4.2 Inflation Rate

The consumer price index decreased during 2020, to record a contraction rate of -2.2% , compared to a contraction of -1.9% in 2019. This price contraction was driven by the decrease in the prices of groups of goods and services with a high relative importance in the consumer basket. The prices of housing, water and electricity decreased (-3.6%), transport prices (-5.8%), and the entertainment and culture group recorded a significant decrease in prices, at a rate of -17.3%. On the other hand, the prices of food and non-alcoholic beverages increased by (3.7%), alcoholic beverages and tobacco (5.8%), and clothes and shoes (4.7%).

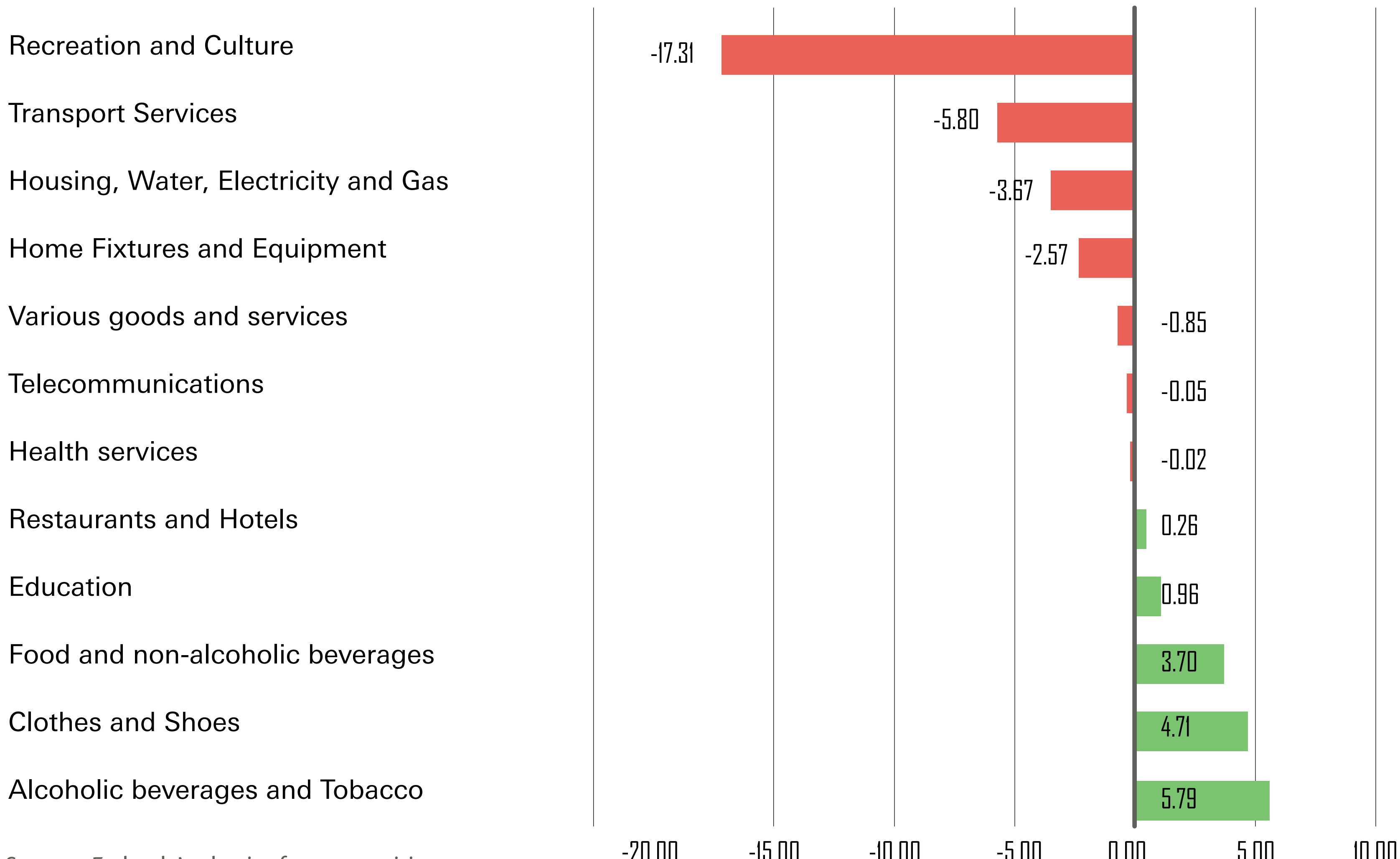
Figure 7 Annual Inflation Rate (%)



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

Figure 8

The percentage change in consumer prices according to groups of goods and services 2020 (%)



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

4.3 Non-oil Foreign Trade

Non-oil foreign trade developments 2017-2020

Total non-oil foreign trade recorded a decline of 12.49% during the year 2020 on an annual basis due to the repercussions of the COVID-19 pandemic, to reach AED1,403.2 billion. On the other hand, non-oil national exports recorded a rise and growth of 10.1%, with a total value of AED254.6 billion.

Table (5)

The size of non-oil foreign trade of the United Arab Emirates 2017-2020

Value: AED (Million)

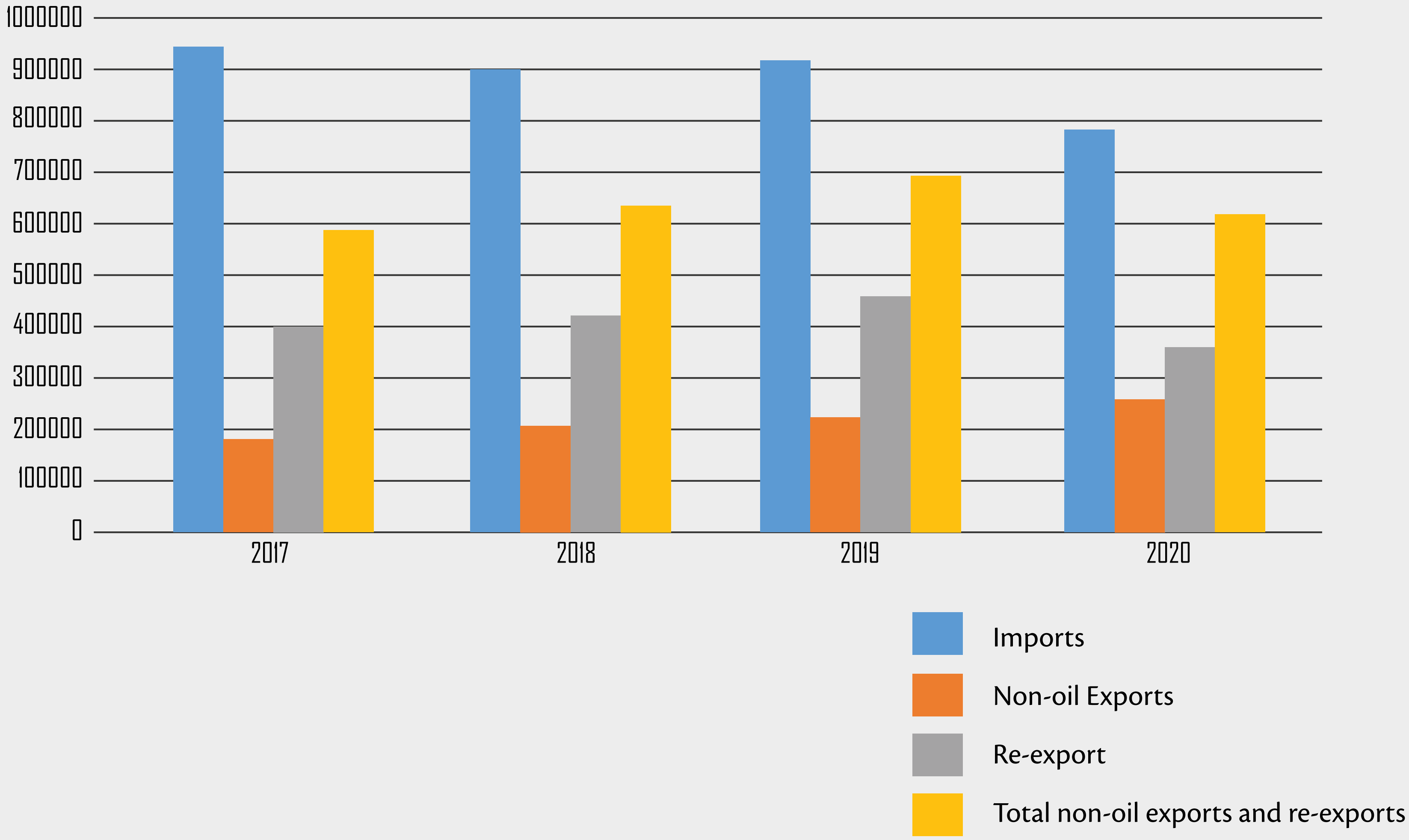
Year	Imports	Non-oil exports	Re-export	Total non-oil exports and reexports	Total of non-oil foreign trade	Relative change in total trade %
2017	946,466	181,039	400,308	581,347	1,527,813	
2018	898,481	206,050	431,551	637,601	1,536,082	0.54
2019	914,852	231,237	457,410	688,647	1,603,499	4.39
2020	785,112	254,642	363,413	618,055	1,403,167	-12.49

Source: Federal Competitiveness and Statistics Centre

Note: data in the table Includes direct trade, free zone trade, and warehouse trade

Figure 9

UAE non-oil foreign trade size between 2017- 2020



Imports, Non-oil exports and re-exports to the UAE by country groups 2020

Non-Arab Asian countries topped the list of countries' groups in relation to the UAE's non-oil trade with the world and accounted for 38.8% of the total non-oil trade of the Emirates for the year 2020, followed by the European countries group with 17.9%, and then the GCC countries with 14%.

Table (6)

Imports, non-oil exports and re-exports to the UAE by country groups 2020

(Value: AED Million)

Country Groups	Imports		Non-oil exports		Re-export		Total trade	
	Value	%	Value	%	Value	%	Value	%
GCC countries	43,794.39	5.58	48,802.06	19.17	103,807.29	28.56	196,403.74	14.00
Other Arab Countries	32,917.21	4.19	29,221.88	11.48	72,142.74	19.85	134,281.83	9.57
Non-Arab Asian countries	340,646.51	43.39	97,332.85	38.22	106,792.21	29.39	544,771.58	38.82
Non-Arab African countries	108,865.35	13.87	11,020.37	4.33	26,243.03	7.22	146,128.75	10.41
European countries	155,378.58	19.79	58,067.06	22.80	37,523.84	10.33	250,969.48	17.89

Country Groups	Imports		Non-oil exports		Re-export		Total trade	
	Value	%	Value	%	Value	%	Value	%
American countries	94,953.13	12.09	8,334.00	3.27	15,523.53	4.27	118,810.66	8.47
Oceanic countries	8,431.20	1.07	1,863.01	0.73	994.21	0.27	11,288.43	0.80
Other unclassi-fied countries	125.68	0.02	0.35	0.00	386.27	0.11	512.30	0.04
Total	**785,112.06**	**100**	**254,641.58**	**100**	**363,413**	**100**	**1,403,167**	**100**

Source: Federal Competitiveness and Statistics Centre .

Non-oil foreign trade by top trading partners 2020

China ranks first as a trading partner of the UAE in non-oil foreign trade, with a total value of AED173.9 billion, accounting for 12.4% of UAE's total non-oil foreign trade with the world for the year 2020 . Saudi Arabia came second with a relative weight of 7.4%, then Indiawith 7.3%.

Table (7)

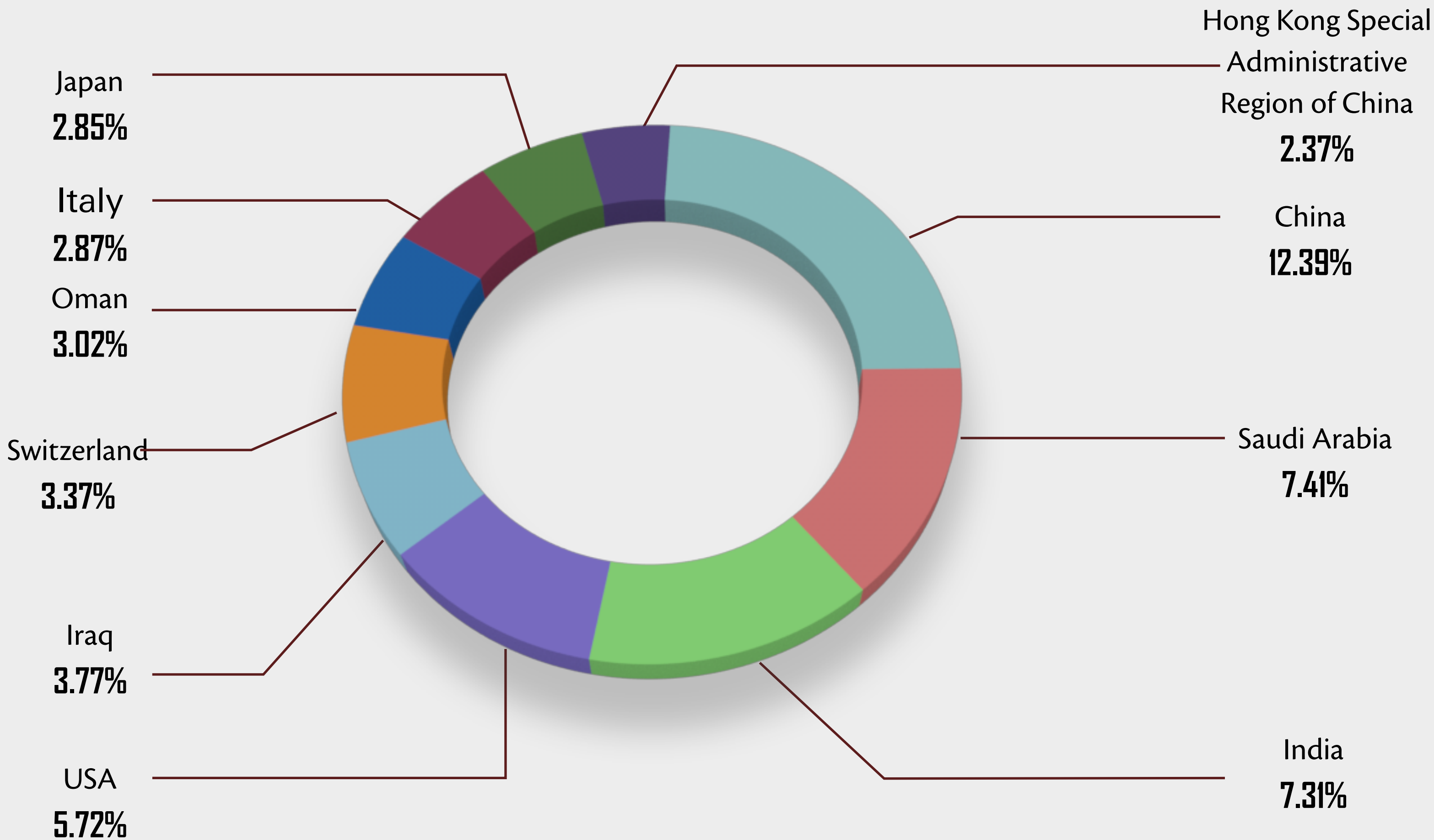
The most important partners in terms of the value of the total non-oil foreign trade of the United Arab Emirates 2020 (Weight: Ton, Value: AED Million)

No.	Country	Total Non -Oil Trade			
		Weight	%	Value	%
01	China	12,056,509	5.67	173,870	12.39
02	Saudi Arabia	11,815,323	5.56	103,919	7.41
03	India	39,315,596	18.49	102,545	7.31
04	USA	4,562,171	2.15	80,212	5.72
05	Iraq	12,641,296	5.94	52,850	3.77
06	Switzerland	45,257	0.02	47,337	3.37
07	Oman	16,805,394	7.90	42,324	3.02
08	Italy	1,234,322	0.58	40,242	2.87
09	Japan	3,867,555	1.82	39,930	2.85
10	Hong Kong Special Administrative Region of China	138,201	0.06	33,187	2.37

Source: Federal Competitiveness and Statistics Center

Figure 10

The most important partners in terms of value of total non-oil foreign trade of United Arab Emirates 2020



Non-oil exports to top trading partners 2020

Switzerland ranked first as a destination for UAE's non-oil exports for the second year in a row, with a rate of 11.5%, followed by Saudi Arabia in the second place with 10% of the country's total non-oil exports, and then India in the third place with 7.8%.

Table (8)

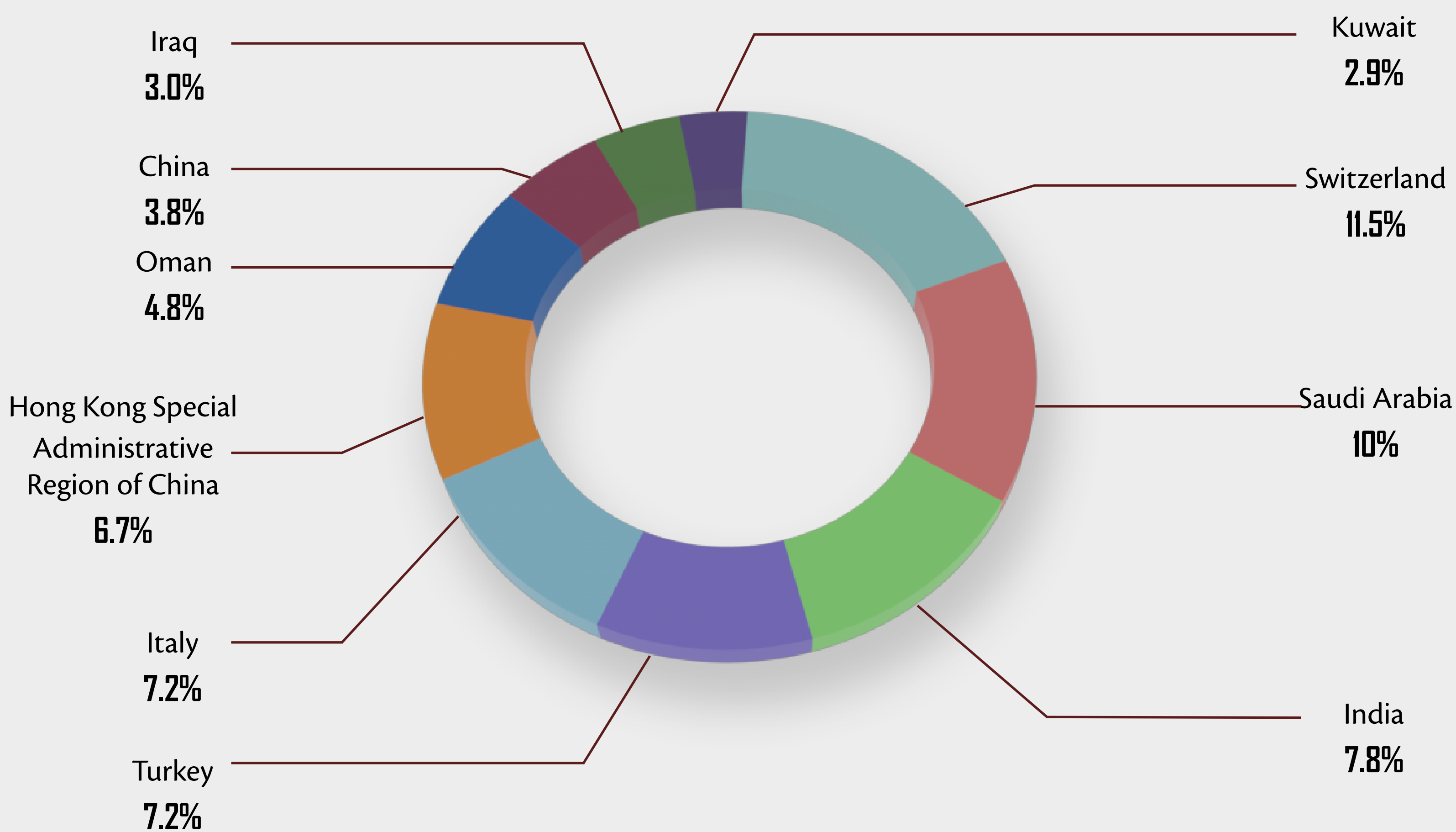
The most important partners in terms of the value of the total non-oil exports of the United Arab Emirates 2020 (Weight: Ton, Value AED Million)

Series	State	Total non-oil Export			
		Weight	%	Value	%
01	Switzerland	1,609	0.002	29,229	11.5
02	Saudi Arabia	3,567,926	3.9	25,568	10.0
03	India	24,996,232	27.1	19,737	7.8
04	Turkey	332,092	0.4	18,429	7.2
05	Italy	169,601	0.2	18,229	7.2
06	Hong Kong Special Administrative Region of China	89,471	0.1	17,120	6.7
07	Oman	3,090,524	3.3	12,287	4.8
08	China	3,347,414	3.6	9,793	3.8
09	Iraq	4,103,255	4.4	7,539	3.0
10	Kuwait	17,303,821	18.7	7,359	2.9

Source: Federal Competitiveness and Statistics Center

Figure 11

The most important partners in terms of value of total non-oil exports of United Arab Emirates 2020



Top partners in terms of re-exports 2020

The value of re-exports to Saudi Arabia, which ranked first among the countries of the world, amounted to about AED54.6 billion, accounting for 15% of the country's total re-exports to the world in 2020. Thus, Saudi Arabia maintained its lead as a re-export destination for the country for the third year in a row. Iraq came second as a destination for re-exports with 11.2 percent, and the Oman came in the third place with 6.4% of the total re exports.

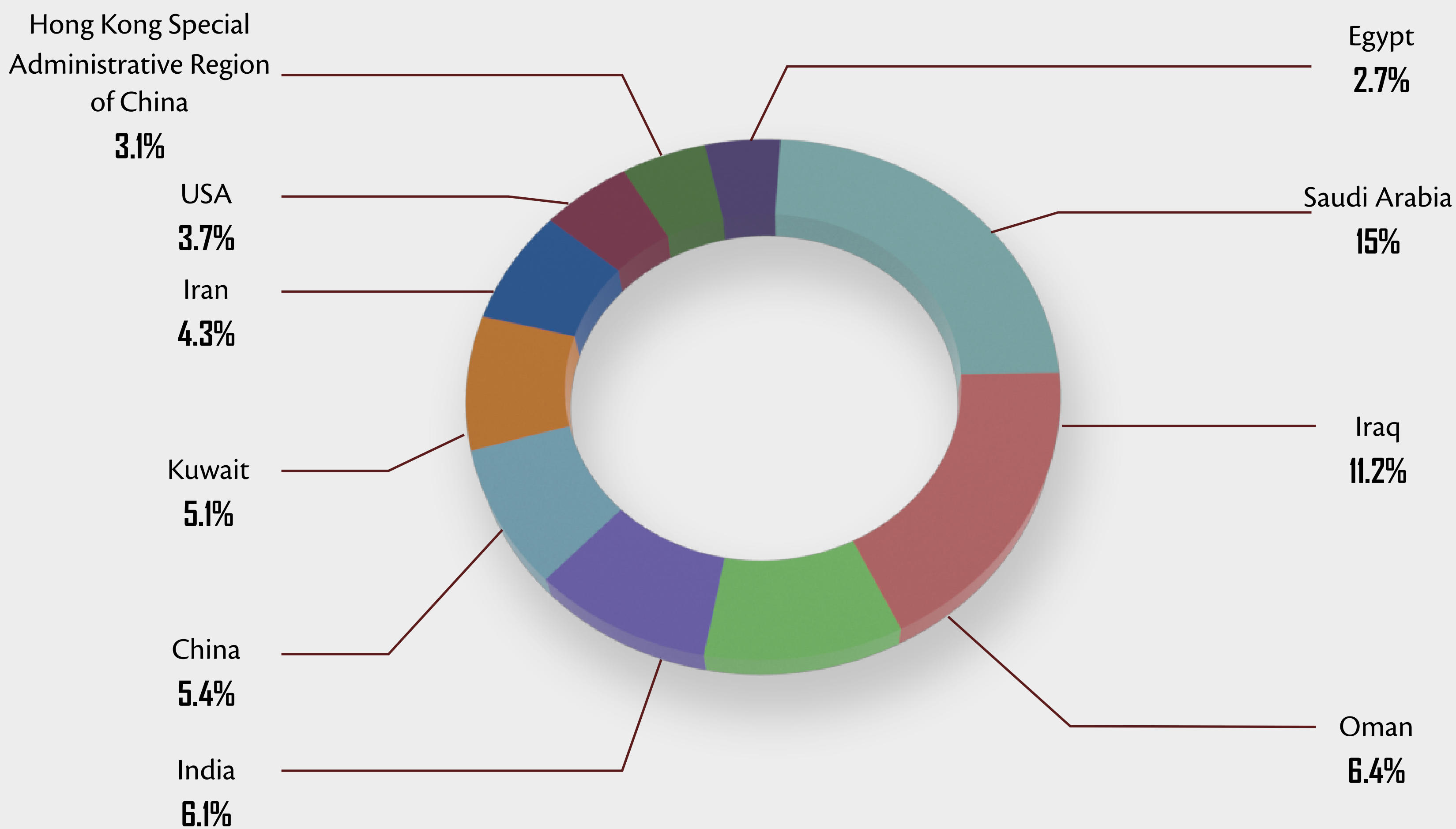
Table (9) **The most important partners in terms of the value of the total non-oil foreign exports of the United Arab Emirates 2020 (Weight: Ton, Value: AED million)**

Series	State	Re-export			
		Weight	%	Value	%
01	Saudi Arabia	1,539,131	7.7	54,568	15.0
02	Iraq	5,313,724	26.6	40,602	11.2
03	Oman	1,415,197	7.1	23,297	6.4
04	India	689,118	3.4	22,322	6.1
05	China	483,641	2.4	19,647	5.4
06	Kuwait	631,346	3.2	18,464	5.1
07	Iran	738,336	3.7	15,569	4.3
08	USA	116,221	0.6	13,416	3.7
09	Hong Kong Special Administrative Region of China	38,091	0.2	11,375	3.1
10	Egypt	300,268	1.5	9,973	2.7

Source: Federal Competitiveness and Statistics Centre.

Figure 12

Top partners in terms of value of total re-exports of Unite d Arab Emirates 2020



Top partners in terms of imports 2020

China remained the most important partner in terms of imports during 2020, accounting for 18.4% of total imports for 2020, followed by USA, which moved up one rank from the third place in 2019 to the second in 2020 with a rate of 7.7%, while India came in third, down from the second place in 2019.

Table (10)

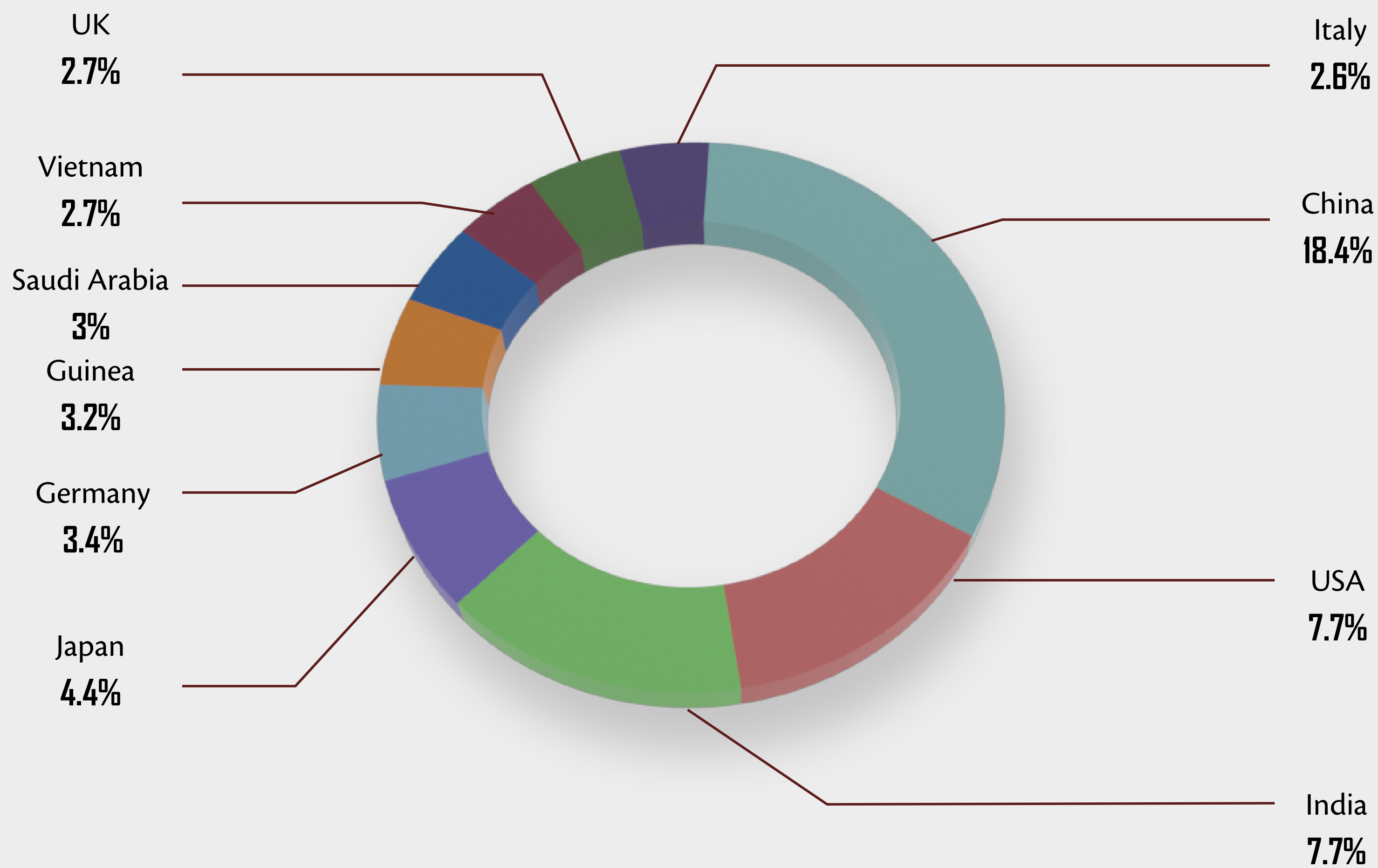
The most important partners in terms of value of imports from the United Arab Emirates 2020 (Weight: Ton, Value: AED Million):

Series	State	Imports			
		Weight	%	Value	%
01	China	8,225,453	8.2	144,430	18.4
02	USA	3,443,500	3.4	60,552	7.7
03	India	13,630,247	13.6	60,486	7.7
04	Japan	3,118,000	3.1	34,729	4.4
05	Germany	1,111,777	1.1	26,711	3.4
06	Guinea	3,703,985	3.7	25,093	3.2
07	Saudi Arabia	6,708,266	6.7	23,782	3.0
08	Vietnam	877,140	0.9	21,492	2.7
09	UK	601,392	0.6	21,491	2.7
10	Italy	1,039,409	1.0	20,348	2.6

Source: Federal Competitiveness and Statistics Center

Figure 13

Top partners in terms of the value of imports from the United Arab Emirates 2020



Major non-oil export commodities 2020

Platinum-plated gold, unwrought, semi-manufactured or in powder form, topped the list of commodities exported during 2020, with a total value of AED105.6 billion, followed by unwrought aluminum, with a value of AED12.1 billion, and then cigar, with a total value of AED11.6 billion.

Table (11)

UAE non-oil exports of major commodities by value, 2020 (weight: ton; value: AED(million).

HS (Headings)	States	Weight	Value
7108	Gold, including gold plated with platinum unwrought or in semi-manufactured forms, or in powder form	1,077	105,638
7601	Unwrought Aluminum	1,959,730	12,084
2402	Cigars, cheroots, cigarillos and cigarettes, of tobacco or of tobacco substitute	151,100	11,602
3901	Polymers of ethylene, in primary forms	2,608,473	9,189
2710	Petroleum oils and oils obtained from bituminous minerals, other than crude; preparations not elsewhere specified or included, containing by weight 70% or more of petroleum oils or oils of bituminous minerals, provided that these oils are the main ingredient in these preparations, waste oils	3,474,328	8,841

HS (Headings)	States	Weight	Value
7408	Copper Wire	278,865	6,482
3902	Polymers of propylene or of other olefins, in primary forms	1,751,992	6,236
7113	Articles of jewelery and parts thereof, of precious metal ore of metal clad with precious metal	52	5,243
7308	Structures (excluding prefabricated buildings of heading 94.06) and parts of structures (for example, bridges and bridge-sections, lock-gates, towers, lattice masts, roofs, roo ing frame-works, doors and windows and their frames and thresh¬olds for doors, shutters, balustrades, pillars and columns), of iron or steel; plates, rods, angles, shapes, sec-tions,tubes and the like, prepared for use in structures, of iron or steel	467,826	3,612
7503	Nickel waste and scrap	118,541	2,258

Source: Federal Competitiveness and Statistics Center

Main Re-Exported Commodities 2020

The commodity of phones of various kinds topped the list of re-exported goods during the year 2020, with a total value of AED75.2 billion, followed by diamonds, even if it was manufactured, but not not mounted or set, with a value of AED31.8 billion, and then cars and other vehicles mainly designed to transport people, with a total value of AED21.7 billion.

Table (12)

UAE main re-exported commodities by value, 2020 (weight: ton; value: AED million)

HS (Headings)	States	Weight	Value
8517	Telephone sets, including telephones for cellular networks or for other wireless networks; other apparatus for the transmission or reception of voice, images or other data including apparatus for communication in a wired or wireless network (such as a local or wide area network), other than transmission or reception apparatus of heading 34.48, 52.58, 72.58, or 85.28	83,106	75,228
7102	Diamonds whether or not manufatured, but not mounted or set	33	31,847
8703	Motor cars and other motor vehicles principally designed for the transport of persons (other than motor vehicles for the transport of ten or more persons), including station wagons and racing cars	812,857	21,709

HS (Headings)	States	Weight	Value
8471	Automatic data processing machines and units thereof; magnetic or optical readers, machines for transcribing data onto data media in coded form and machines for processing such data, not elsewhere specified or included	54,157	19,499
7113	Articles of jewelry and parts thereof, of precious metal or of metal clad with precious metal	253	17,884
2710	Petroleum oils and oils obtained from bituminous minerals, other than crude; Preparations not elsewhere specified or included, containing by weight 70% or more of petroleum oils or oils of bituminous minerals, provided that these oils .are the main ingredient in these preparations, waste oils	8,666,790	15,078
8708	Parts and accessories of the motor vehicles of headings from 87.01 to 87.05	616,639	8,739

HS (Headings)	States	Weight	Value
8803	Aircraft parts	3,651	6,594
8411	Turbojets, turbo propellers and other gas turbines	3,658	4,104
3004	Medicaments (excluding goods of heading 30.02, 30.05, or 30.06) consisting of mixed or unmixed products for therapeutic or prophylactic uses, put up in measured doses (including those in the form of trans-dermal administration systems) or in forms or packings for retail sale	13,993	3,954

Source: Federal Competitiveness and Statistics Centre .

Main Imported Commodities 2020

Platinum-plated gold, unwrought, semi-manufactured or in powder form, topped the list of imported goods during the year 2020, with a total value of AED136.8 billion, followed by phones of various kinds, with a value of AED74.9 billion, and then cars and other vehicles designed primarily to transport people, with a total value of AED37.9 billion

Table (13)

UAE main imported commodities by value, 2020 (weight: ton, value: AED million)

HS (Headings)	States	Weight	Value
7108	Gold Including Gold Plated With Platinum Unwrought Or In Semi-manufactured Forms, Or In Powder Form	744	136,825
8517	Telephone sets, including telephones for cellular networks or for other wireless networks; other apparatus for the transmission or reception of voice, images or other data including apparatus for communication in a wired or wireless network (such as a local or wide area network), other than transmission or reception apparatus .of heading 34.48, 52.58, 72.58, or 85.28	89,253	74,865
8703	Motor cars and other motor vehicles principally designed for the transport of persons (other than motor vehicles for the transport of ten or more persons), including station wagons and racing cars	978,917	37,901

HS (Headings)	States	Weight	Value
7102	Diamonds whether or not manufactured, but not mounted or set	61	31,083
2710	Petroleum oils and oils obtained from bituminous minerals, other than crude; Preparations not elsewhere specified or included, containing by weight 70% or more of petroleum oils	17,096,510	30,738
8471	Automatic data processing machines and units thereof; magnetic or optical readers, machines for transcribing data onto data media in coded form and machines for processing such data, not elsewhere specified or included	73,016	24,965
7113	Articles of jewelry and parts thereof, of precious metal or of metal clad with precious metal	369	22,337
8411	Turbojets, turbo propellers and other gas turbines	11,594	15,070

HS (Headings)	States	Weight	Value
3004	Medicaments (excluding goods of heading 30.02, 30.05, or 30.06) consisting of mixed or unmixed products for therapeutic or prophylactic uses, put up in measured doses (including those in the form of trans-dermal administration systems) or informs or packings for retail sale.	44,609	12,473
8708	Parts and accessories of the motor vehicles of headings from 87.01 to 87.05	831,703	9,353

Source: Federal Competitiveness and Statistics Center

4.4

Final Consumption expenditure

Government consumer expenditure slightly declined from AED 188.1 billion in 2019 to AED 185.5 billion in 2020 with a decline of 1.4%. Private consumer expenditure also declined from AED 601.6 billion in 2019 to AED 515.6 billion in 2020 with a decline of 14.3%.

As a result, the total consumer expenditure volume declined from AED 789.8 billion in 2019 to AED 701 billion in 2020 with a decline of 11.2%. The final consumer expenditure to the GDP developed from 50.5% in 2019 to 53.2% in 2020.

Table (14)

Final consumer spending for 2019/2020 (AED Million)

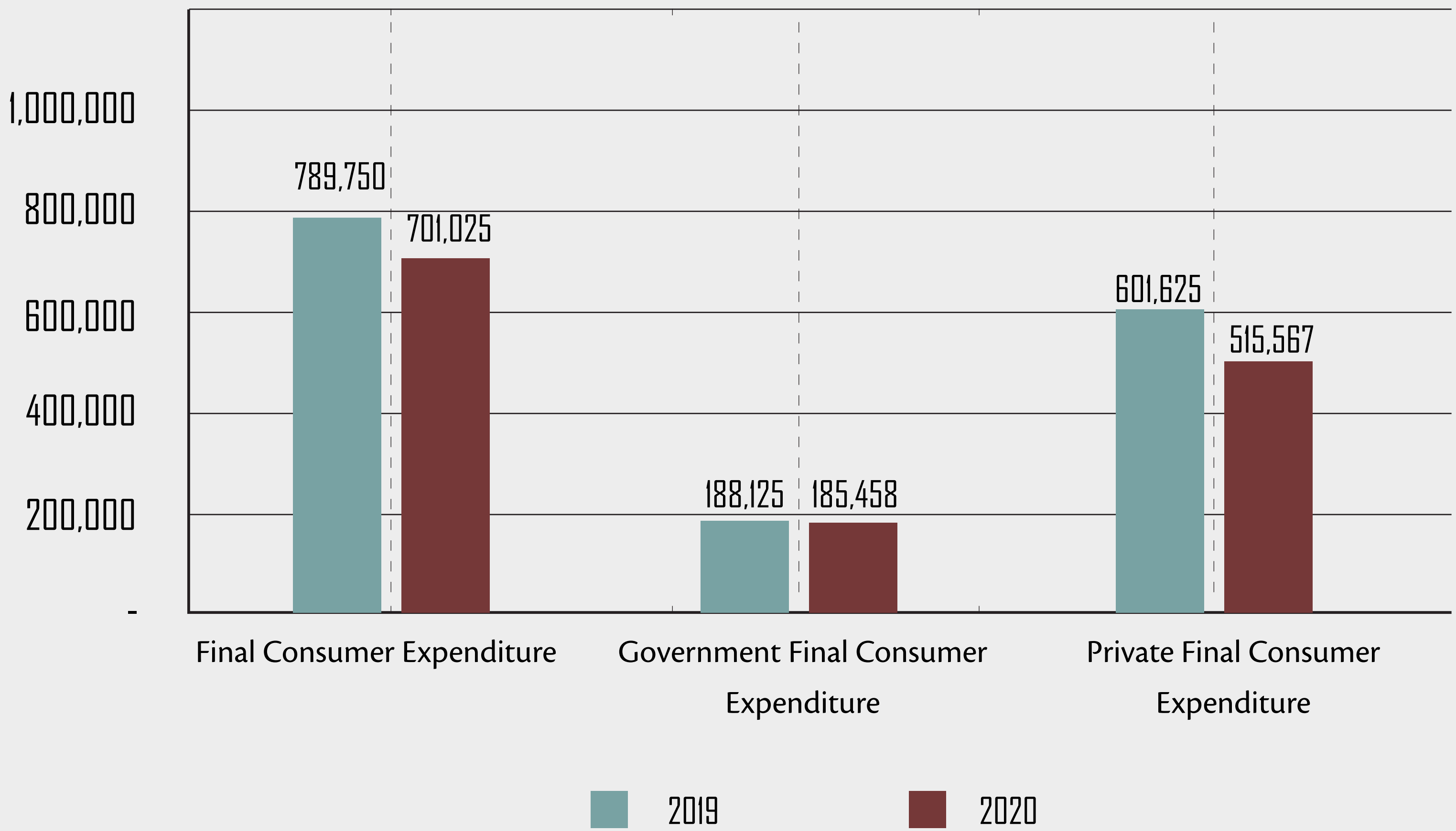
Data	2019	2020*	Growth rate%
Government final consumer expenditure	188,125	185,458	-1.4 %
Private consumer expenditure	601,625	515,567	-14.3 %
Final consumer expenditure	789,750	701,025	-11.2 %
Final consumer expenditure of the GDP %	51.5 %	53.2 %	

Source: Federal Competitiveness and Statistics Centre

Preliminary data*

Figure 14

Final consumer expenditure for 2019/2020 (AED million)



4.5

Gross Fixed Capital Formation

Gross fixed capital formation declined from about AED282 billion in 2019 to AED259.3 billion in 2020, with an annual decline of 8%, as five sectors accounted for 66.7% of the total gross fixed capital formation. The real estate activities sector topped the rest of sectors at a contribution rate of 18.2% during 2020, with a value of AED47.2 billion and an annual decline of 6.1%, followed by the mining and quarrying sector (including crude oil and natural gas) which ranked second and accounted for about 15.7%, with an annual decline of 5.7%. The manufacturing industries sector ranked third and accounted for about 12.1% of the total gross fixed capital formation. Then comes the public administration, defense, compulsory social security and transport and storage sectors, as the contribution of each sector to the capital formation amounted 11.6% and 9.2%, respectively.

Table (15)

Gross fixed capital formation by economic sectors for 2019/2020

Economic sectors	2019		2020*		Annual Growth, 2020 compared to 2019%
	Value (AED million)	Contribution%	Value (AED million)	Contribution %	
Real estate activities	50,238	17.8 %	47,151	18.2 %	-6.1 %
Mining and quarrying (Including crude oil and natural gas)	43,286	15.4 %	40,815	15.7%	-5.7 %
Manufacturing industries	32,579	11.6 %	31,257	12.1 %	-4.1 %
Public administration and defense; compulsory social security	29,677	10.5 %	30,009	11.6 %	1.1 %
Transport and warehousing	35,291	12.5 %	23,792	9.2 %	-32.6 %
Electricity, gas and water supply; waste management activities	18,682	6.6 %	18,866	7.3 %	1.0 %
Wholesale and retail trade; repair of motor vehicles and motorcycles	19,705	7.0 %	17,808	6.9 %	-9.6 %
Construction	10,532	3.7 %	9,941	3.8 %	-5.6 %
Information and communication	7,598	2.7 %	7,187	2.8 %	-5.4 %
Administrative services and support services activities	5,758	2.0 %	5,598	2.2 %	-2.8 %

Economic sectors	2019		2020*		Annual Growth, 2020 compared to 2019%
	Value (AED million)	Contribution%	Value (AED million)	Contribution %	
Education	5,047	1.8 %	5,096	2.0 %	1.0 %
Residence activities and food services	5,928	2.1 %	4,810	1.9 %	-18.9 %
Vocational, scientific, and technological activities	4,983	1.8 %	4,669	1.8 %	-6.3 %
Financial and insurance activities	3,895	1.4 %	3,841	1.5 %	-1.4 %
Human health activities and social service	3,576	1.3 %	3,465	1.3 %	-3.1 %
Art, entertainment, promotion, and other services activities	3,705	1.3 %	3,411	1.3 %	-7.9 %
Agriculture, forestry, and fishing	1,504	0.5 %	1,609	0.6 %	7.0 %
Total	281,984	100.0 %	259,326	100.0 %	-8.0 %

Source: Federal Competitiveness and Statistics Centre

*Preliminary data

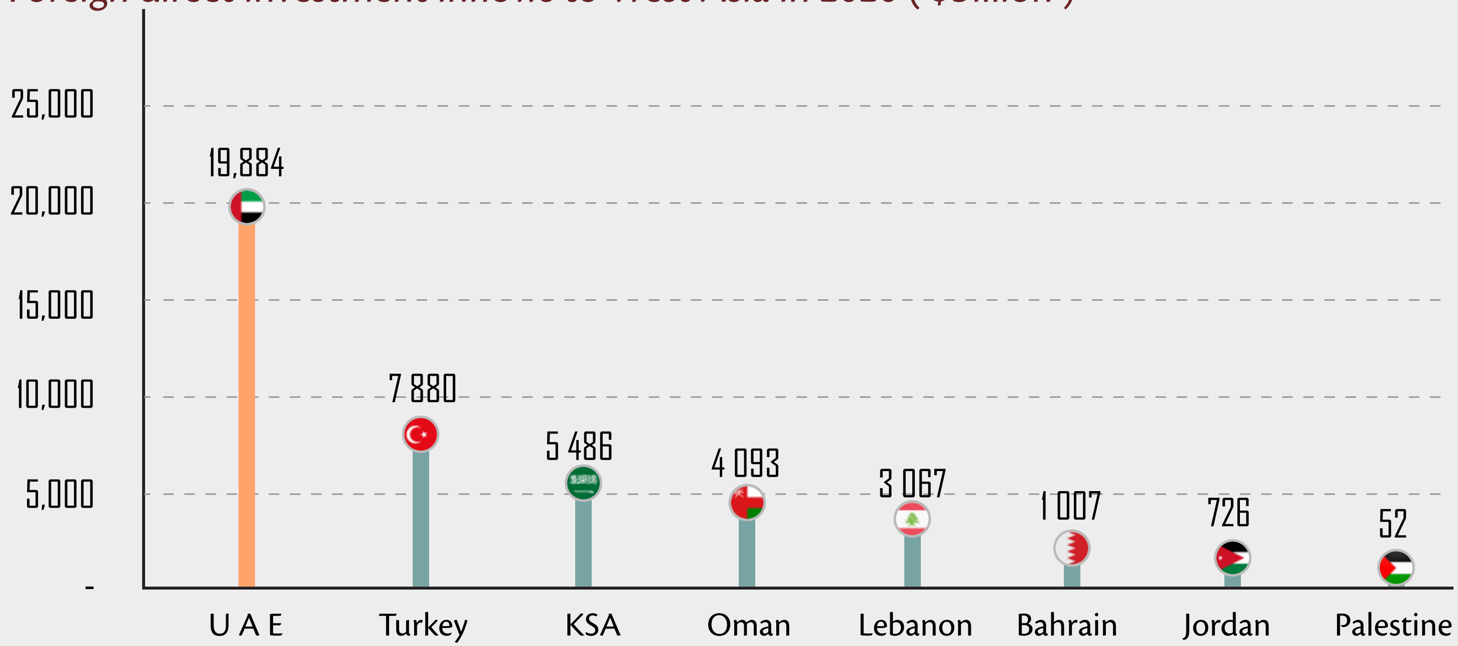
4.6 Foreign Direct Investment

According to the World Investment Report 2021, issued by the United Nations Conference on Trade and Development (UNCTAD), the value of foreign direct investment in the UAE increased to $2.01 billion (AED7.38 billion) in 2020, with a growth rate of 11.24%. Thus, UAE has climbed 9 ranks to become the fifteenth globally in 2020, surpassing advanced economies such as Britain, which ranked 16th, France, which came in eighteenth place and Japan which ranked 20th in the world. Total foreign direct investment to UAE amounted to $19.884 billion (AED73.04 billion) in 2020, compared with $17.875 billion (AED 65.66 billion) in 2019.

The UAE ranked first in the foreign direct investment inflow on the level of West Asia, as it accounted for 54.4% of the total inflows to the region, which amounted to $36.547 billion , with an increase of 9.4% compared to 2019. Turk ey ranked second at 21.5% or $7.880 billion , followed by the Kingdom of Saudi Arabia, which ranked third at 15% or $ 5.486 billion .

Figure 15

Foreign direct investment inflows to West Asia in 2020 ($billion)

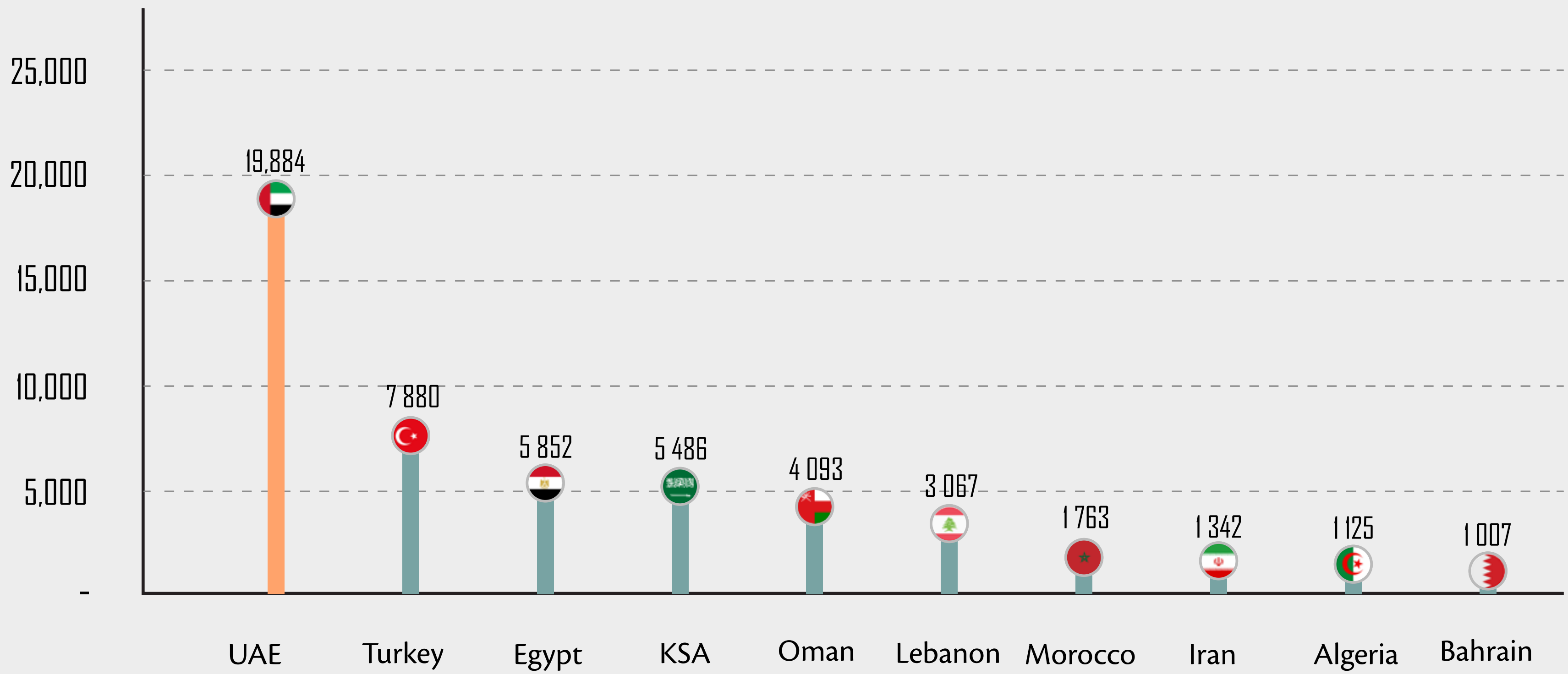


Foreign Direct Investment

UAE ranked first in the volume of foreign direct investment inflow in the Middle East Region and North Africa, recording 40.2% of the total inflows into the region, which amounted to $49.4 billion, followed by Turkey, which ranked second at 15.0%, or $7.880 billion. Egypt ranked third at 11.8%, or $5.825 billion, and then Kingdom of Saudi Arabia in the fourth place at 11.1%, which is equivalent to $5.486 billion.

Figure 16

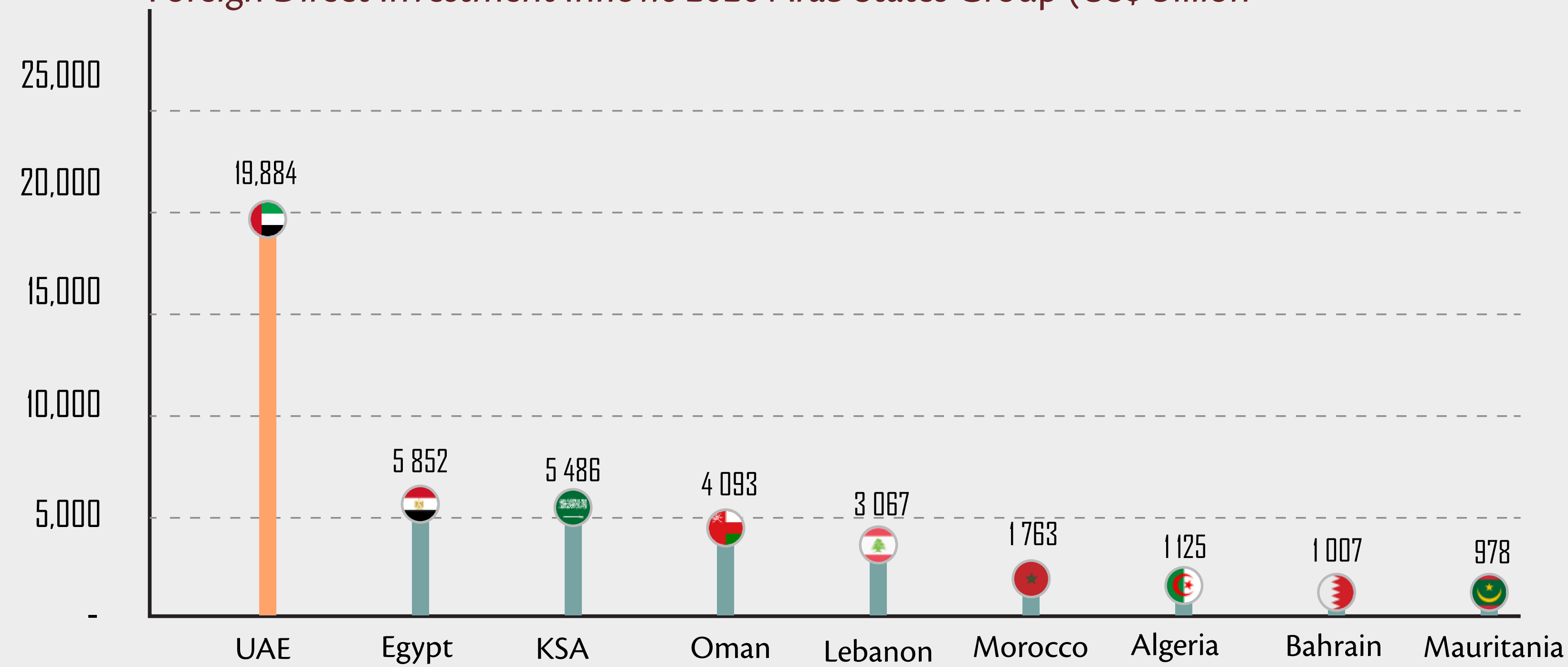
Foreign Direct Investment Inflows, Middle East Region and North Africa 2020 (US$ billion)



UAE ranked first in the direct foreign investment inflows among Arab states at 49.1% of the total inflows to the region, which amounted to $40.46 billion, followed by Egypt at 14.4% or $5.852 billion, and the Kingdom of Saudi Arabia, which ranked third at 13.5%, which is equivalent to $5.486 billion.

Figure 17

Foreign Direct Investment Inflows 2020 Arab States Group (US$ billion



Foreign Direct Investment

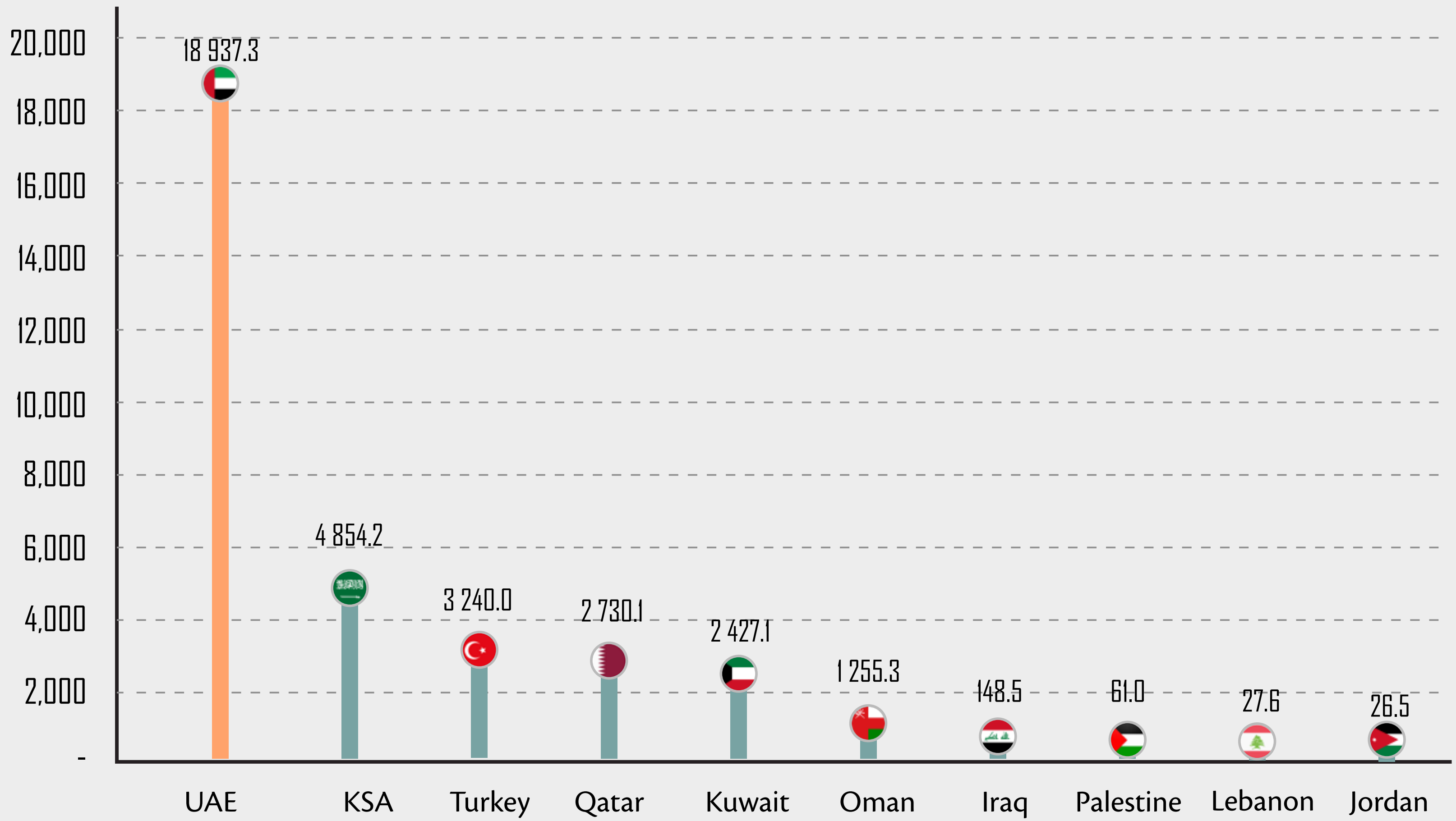
The accumulated inward foreign direct investment stock flow to the UAE grew by 15.2% higher than 2019, as it amounted to $150.896 billion in 2020 compared with $131.011 billion in 2019.

UAE plays through its investments, which are characterized with durability and expansion in most world countries, a significant and effective role in advancing the economic development in these partner states, in addition to lowering unemployment rates. These investments cover several sectors, such as infrastructure, hi-tech, ports, shipping, warehousing, logistics, renewable energy, alternative energy, manufacturing, health services, agriculture, and construction and real estate, etc. UAE climbed up 6 ranks to the 13th place worldwide in 2020 with regards to foreign direct investment outflow to the world countries, according to the UNCTAD classification based on the World Investment Report issued in June 2021; however, the value of foreign direct investment outflow from the UAE decreased in 2020 by $2.28 billion, or 10.7%, as the total foreign investment outflow amounted to $18.937 billion in 2020, compared with $21.226 billion in 2019 .

UAE ranked first in the foreign direct investment outflow at the West Asia region level, at 65.5% of the total outflows from the region, which amounted to $33.5027 billion and shrank by 17.7%, compared to 2019. The Kingdom of Saudi Arabia ranked second at 14.5%, or $4.854 billion, and Turkey third at 9.65%, which is equivalent to $3.240 billion.

Figure 18

Foreign Direct Investment Outflows, 2020 West Asia Region (US$ billion)



UAE ranked first in terms of foreign direct investment outflow at the Middle East and North Africa (MENA) region level at 55% of the total outflows from the region, which amounted to $34.464 billion, followed by the Kingdom of Saudi Arabia in the second place at 14.08%, or $4.854 billion, while Turkey ranked third at 9.4% estimated at $3.240 billion, and Qatar fourth at 7.9%, or $2.730 billion.

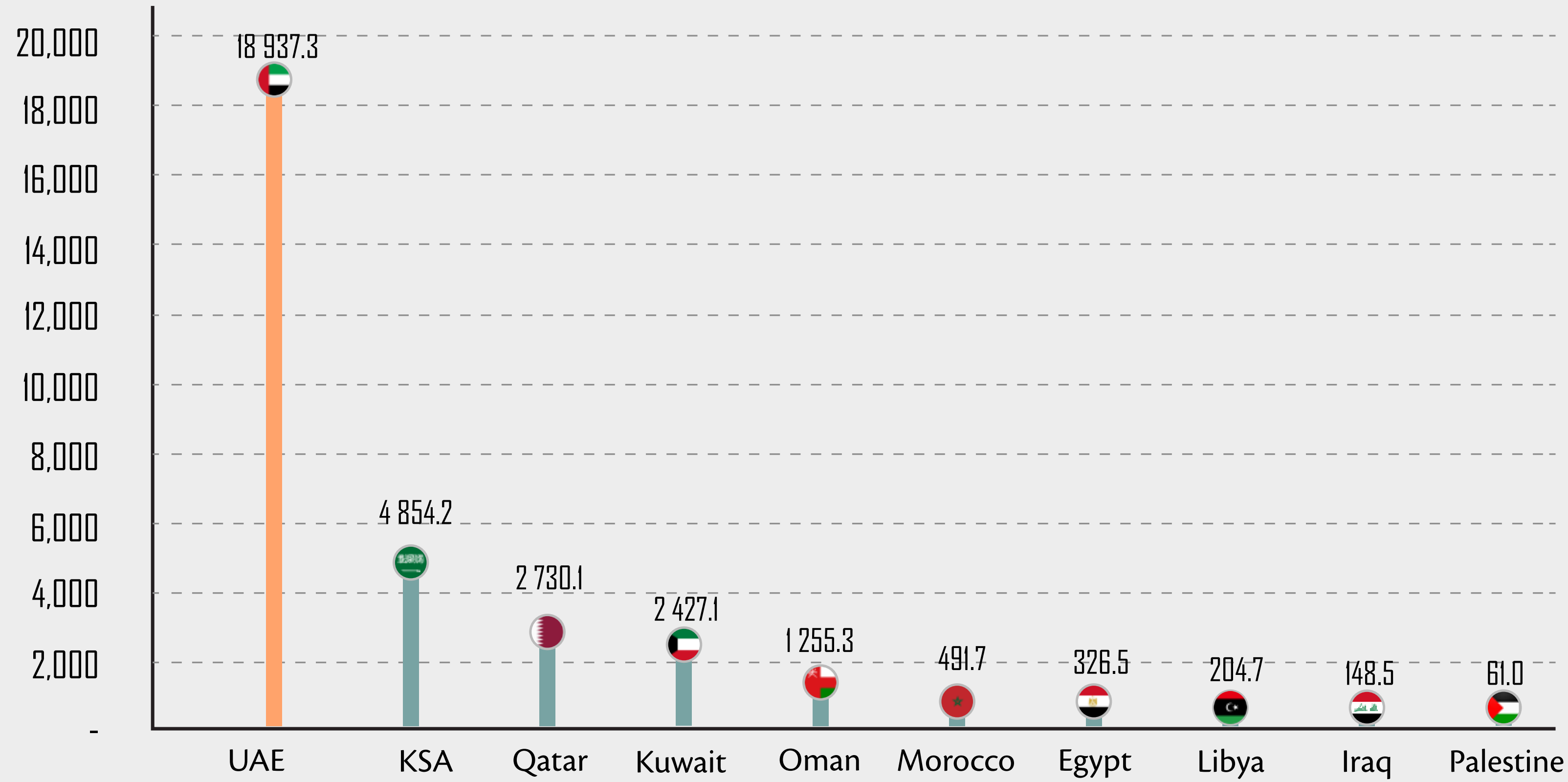
Figure 19

Foreign Direct Investment Outflows 2020, MENA Region (US$ billion)

UAE ranked first in terms of outward foreign direct investment among the Arab states group at 60.4% of the gross outflows from the region, which amounted to $31.350 billion, followed by the Kingdom of Saudi Arabia, which ranked second at 15.5%, or $4.854 billion, while Qatar came third at 8.7% or $2.730 billion, and Kuwait fourth at 7.7%, which equals $2.427 billion.

Figure 20

Foreign Direct Investment Outflows 2020, Arab States Group (US$ billion)



The accumulated foreign direct investment stock outflow (UAE investment outflows to the world states) increased by $18.937 billion at 10.25% compared to 2019, as it amounted to $203.727 billion in 2020, compared with $184.790 billion in 2019.

Table (16)

Outflows and Inflows and accumulated stock of foreign direct investment and new investment projects

Data	2016	2017	2018	2019	2020
Foreign direct investment inflows to the UAE (US$ billion)	9.605	10.354	10.385	17.875	19.884
Ratio to gross fixed capital formation (%)	11.00%	14.15%	14.20%	23.28%	28.16%
Growth rate of the annual foreign direct investment flows (%)	-	7.80%	0.30%	72.12%	11.24%
Accumulated stock of foreign direct investment inflow (US$ billion)	119.054	121.645	127.914	131.011	150.896
Growth rate of accumulated stock of foreign direct investment inflow	-	2.18%	5.15%	2.42%	15.18%
Ratio of foreign direct investment stock inflow to GDP	33.34%	31.55%	30.30%	31.40%	42.05%
UAE investment outflows to world countries (US$ billion)	15.711	14.059	15.079	21.226	18.937
Growth rate of the UAE investment outflows to the world states	-	-10.51%	7.26%	40.77%	-10.78%

Data	2016	2017	2018	2019	2020
Accumulated stock of UAE investments to the world states (US$ billion)	110.493	124.449	166.811	184.79	203.727
Growth rate of accumulated stock of UAE investments to the world	-	12.63 %	34.04 %	10.78 %	10.25 %
Number of greenfield investment project announced in terms of source	227	178	228	256	178
Value of greenfield investment project announced in terms of source (US$ billion)	25.357	12.406	28.839	14.912	6.611
Number of greenfield investment project announced in terms of destination	305	333	382	445	375
Value of greenfield investment project announced in terms of destination (US$ billion)	10.089	8.791	11.894	13.556	9.531

Source: Ministry of Economy- Investment and Talents Attraction Department, UNCTAD

4.7

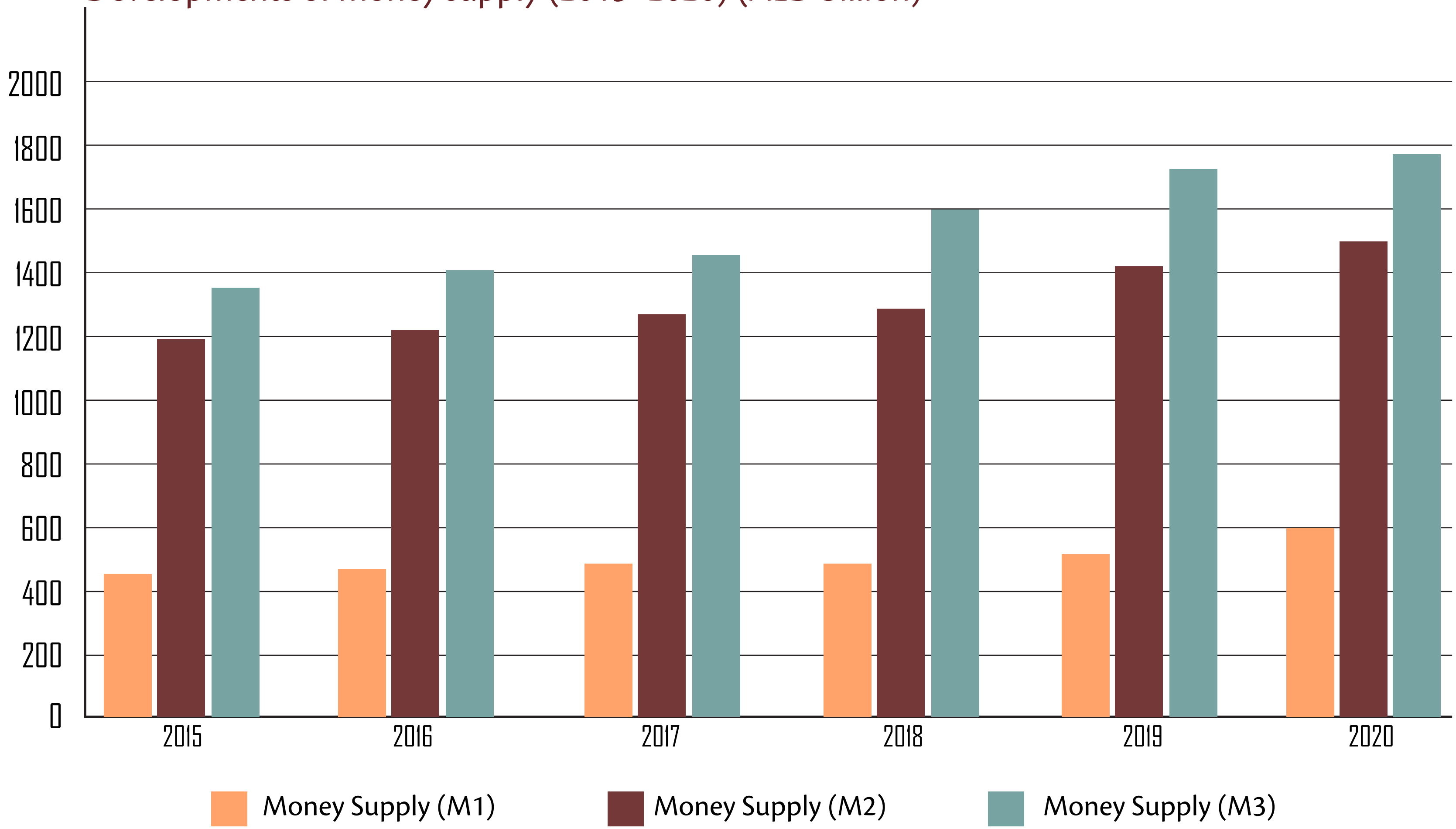
Monetary, Banking and Financial Sector

Liquidity

The money supply (M2) increased by 4.6% in 2020 to reach AED1,478.6 billion. This robust growth in (M2) is attributed to the growth of Narrow money supply (M1) by 16.5%. The broadest money supply (M3), which comprises government deposits, increased by 3.0% to reach AED1,769.4 billion.

Figure 21

Developments of money supply (2015 -2020) (AED billion)



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

M1= cash circulated outside banks + monetary deposits (all short-term deposits that residents can withdraw without prior notice.)

M2= M1 + quasi money (residents' savings and time deposits in dirhams + residents' deposits in foreign currency.)

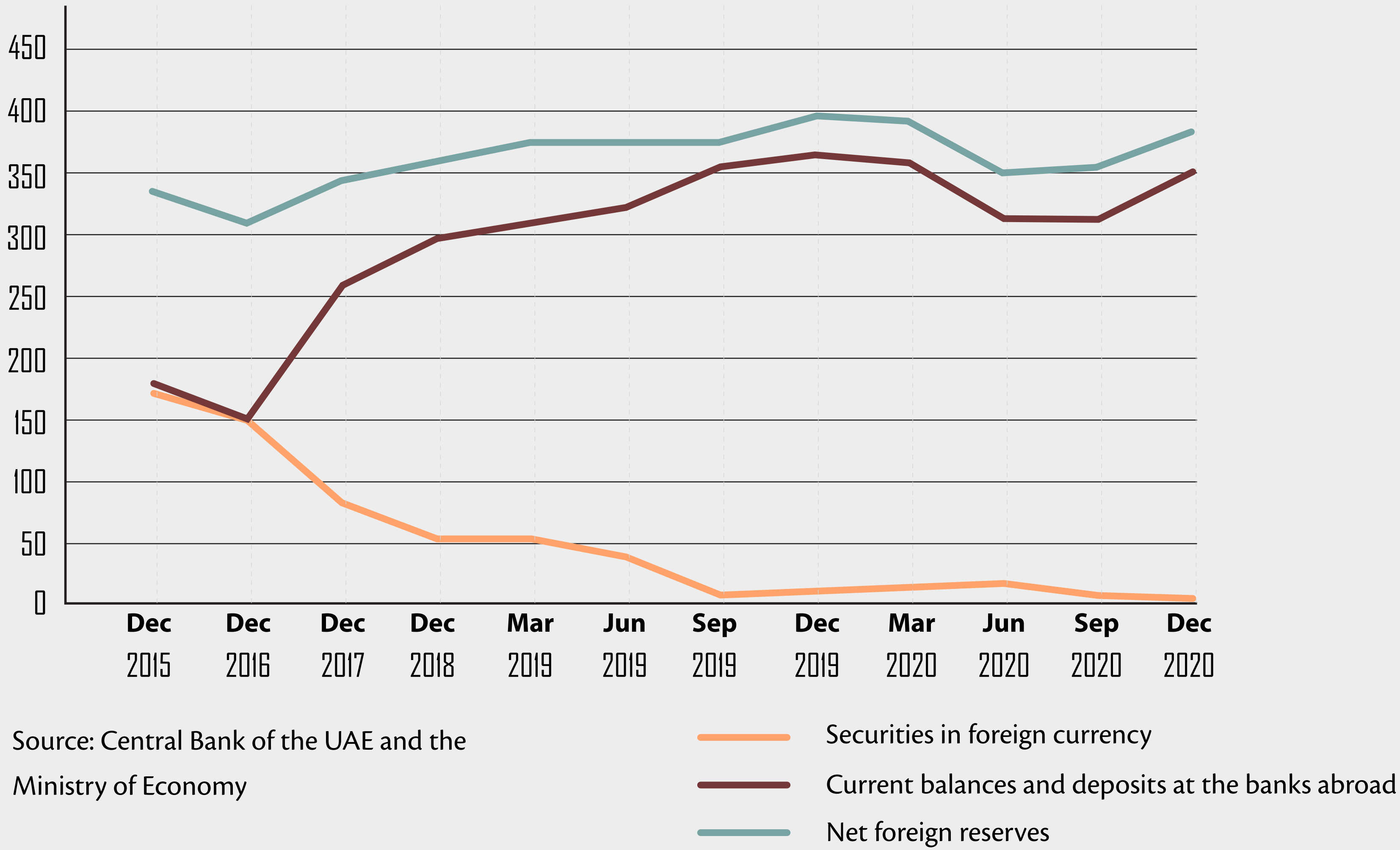
M3= M2 + government deposits

Foreign Reserves

The Central Bank's net foreign reserves amounted to AED 381.0 billion by the end of 2020, with a slight decrease of -3.3% compared to the end of 2019. This drop in foreign currency reserves during 2020 is attributed to the decrease of current account balances and deposits at banks abroad by AED17.5 billion and securities in foreign currency by AED 5.3 billion. On the other hand, other foreign assets at the Central Bank grew by AED16.1 billion.

Figure 22

Developments of foreign reserves of the Central Bank, in AED billion



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

Banking Structure

The number of banks operating in the UAE amounted to 58 banks in 2020, including 20 national banks and 37 branches of foreign banks.

Table (17)

)Structure of banks operating in the UAE)2020-2019)

Banks operating in the UAE	December 2019	December2020
Total number of banks	**59**	**58**
National banks	21	21
(Foreign banks (including business banks	38	37
GCC states' banks*	6	6
Foreign banks share of total assets	**12.8 %**	**12.6 %**
Traditional banks (including business banks)	49	48
Islamic banks	10	10
Islamic banks' share of total assets	**18.6 %**	**18.9 %**

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

*Represents one branch for each of the Kingdom of Saudi Arabia, Bahrain, Oman and Qatar and two branches of Kuwaiti banks.

Total Bank Credit

The total banking credit grew by 1.2% in 2020 to reach AED1,779.0 billion, of which AED1,596.7 billion was domestic credit with an increase of 0.3% compared to 2019, and AED182.3 billion were credit provided for nonresidents with an annual increase of 9.8%.

Credit extended to resident private sector amounted to AED1,108.3 billion, accounting for 69% of the domestic credit, while government and public sector accounted for the remaining percentage (31%). However, growth in domestic credit in 2020 was driven by the increase in credit granted to the public sector with a value of AED34.6 billion (18.7%) compared to last year.

Despite the drop in credit granted to resident private sector by -2.3% in 2020, the value of credit provided to small and medium-sized enterprises (SMEs) grew by 3.7% to reach AED92.8 billion by the end of 2020.

Table (18)

Development of bank credit by sector 2020

Data	Value in AED billion	Annual growth rate %
Total credit	1779	1.20 %
Domestic cedit	1596.7	0.3 %
Government	251.9	-2.1 %
Public sector (government-affiliated entities)	219.9	18.7 %
Private sector	1108.3	-2.3 %
Commercial and industrial sector [1]	778.8	-2.9 %
of which: total loans of SMEs	92.8	3.7 %
Individuals	329.5	-0.9 %
Non-banking financial institution	16.6	8.5 %
Credit for nonresidents [2]	182.3	9.8 %

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

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

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

By analyzing domestic credit distribution by economic activity, the credit extended to the agriculture sector increased by 106.6 % to reach AED 2 .2 billion in 2020 .
Moreover, the credit granted to the mining and quarrying sector rose by 40.2%, to transportation, warehousing, and communication sector by 48.6%, to electricity, water, and gas sector by 20.1% and to the real estate sector by 8.1 %. In contrast, the credit granted to the manufacturing sector decreased by (- 8.6%), to the wholesale and retail trade sector by (-9.2%) and to the construction sector by (-5.2%).

Table (19)

Distribution of domestic credit by main economic activities 2020

Economic activity	Value in AED billion	Annual growth rate (%)
Mining and quarrying Electricity, water,	14.9	40.2 %
Electricity, water, and gas	27.3	20.1 %
Real estate	265.7	8.1 %
Transportation, warehousing, and communication	84.8	48.6 %
Agriculture	2.2	106.6 %
Construction	61.8	(-5.2) %
Wholesale and retail trade	138.7	(-9.2) %
Manufacturing	73.5	(-8.6) %

Deposits at Banks

Bank deposits grew by AED14.4 billion (0.8%) in 2020 to reach AED1,884.5 billion. This increase was driven by the increase of residents' deposits by 2.0% which amounted to AED1,682.1 billion (89.3% of the total bank deposits), while non-residents' deposits dropped by -8.6% and reached AED202.4 billion ،The increase in the residents' deposits in 2020 is attributed to the growth of the private sector deposits by 4.0% and the public sector deposits by 3.9%.

Table (20)

Distribution of deposits at banks by depositor for 2020

Annual growth rate (%)	Value in AED billion	Data
0.8 %	1884.5	**Bank deposits**
2.0 %	1682.1	Residents' deposits
-4.6 %	287.3	Government
3.9 %	254.8	Public sector (government affiliated entities
4.0 %	1100.1	Private sector
-9.9 %	39.9	Non-banking financial institutions
-8.6 %	202.4	Nonresidents' deposits

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

Banking Sector Financial Soundness

UAE has good capitalization and adequate and viable liquidity, as the eligible liquid assets amounted to 18.4% and the capital adequacy ratio amounted to 18.2%, which is higher than the regulatory minimum level of 10% that is required by the Central Bank and Basel requirements.

Table (21)

Banks' financial soundness indicators (2019-2020)

Bank's Soundness Indicators	December 2019	December 2020
[1] Loans-to-stable resources ratio	81.0 %	77.6 %
[2] Eligible liquid assets ratio	18.1 %	18.4 %
Capital adequacy ratio (part 1 + part 2)	17.7 %	18.2 %
Including: part 1 (first capital tranche)	16.5 %	17.1 %
Common stock share of the first capital tranche	14.7 %	14.9 %

Source: Central Bank of the UAE and Ministry of Economy

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

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

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

Financial Markets

Percentage of listed companies

53 %
Abu Dhabi

47 %
Dubai

The number of companies registered and listed in the local financial markets amounted to 137 by the end of 2020, of which 73 companies were listed in Abu Dhabi Securities Ex change (ADX), with a share of 53% of the total companies listed in the State's markets, while 64 companies were listed in Dubai Financial Market (DFM), with a share of 47% of the total companies listed.

DFM General Index decreased by -9.9% to reach 2,492 points by the end of 2020, while ADX General Index slightly decreased by -0.6% to reach 5,045 points. This drop shows the diverse impact of the Covid-19 pandemic on the local financial markets.

The total market value of the domestic financial markets reached AED1,083 billion by the end of 2020, with an increase of 19.6% compared to last year. The total trading value amounted to AED131 billion with an increase of 36.8%, compared to 2019.

Table (22)

Main indicators of securities markets (2020 - 2019)

Main indicators	2019	2020	Relative change (%)
Total number of listed companies	136	137	0.7 %
ADX index (point)	5,076	5,045	-0.6 %
DFM index (point)	2,765	2,492	-9.9 %
Total market value (AED billion)	905	1,083	19.6 %
Total trading volume (billion share)	51	85	66.9 %
Total trading value (AED billion)	95	131	36.8 %
Number of transactions	1,044,279	1,489,894	42.7 %

Source: Federal Competitiveness and Statistics Center, Securities and Commodities Authority and Ministry of Economy

4.8 Public Finance

The decline in oil revenues from AED197 billion in 2019 to AED153 billion in 2020 and the drop in other public revenues from AED281 billion in 2019 to AED217 in 2020, led to a decrease in public revenues in the State's budget by 22.7%, from AED478 billion in 2019 to AED370 billion in 2020. The continuity of the COVID-19 pandemic led to an increase in the public spending on healthcare and supporting procedures and packages for local companies and establishments in the State, to advance the State's economy instead of spending on infrastructure as the case was in 2019.

The complicated difficult situations and shifting the focus of the State's spending to the health sector instead of plans to develop the infrastructure of other sectors and move towards spending on scientific and technological researches, led to a decrease in spending from AED442 billion in 2019 to AED373 billion in 2020, with a rate of 15.8%. The decline in the State's public revenues in 2020 vis-a-vis public expenditures of the same year, led to deficit in the State's budget in 2020 amounting to AED3.0 billion.

Table (23)

UAE public revenues and expenditures for 2020-2019

Data	2019	2020	Change rate % 2019/2020
Total public revenues	478,253	369,623	-22.7 %
Total public expenditures	442,386	372,661	-15.8 %
Final surplus/deficit	35,867	-3,038	-108.5 %

Source: The United Arab Emirates and the Federal Competitiveness and Statistics Centre/ open database

5

Population and Workforce

Population

According to the World Bank database, the UAE population grew from about 9.8 million in 2019 to about 9.9 million in 2020, with a population growth rate of 1%. According to the Federal Competitiveness and Statistics Authority, the total number of UAE population, citizens and resident expatriates, amounted to 9.5 million in 2019, compared with 9.3 million in 2020, with a population decline rate of 2.1%.

Expatriates from more than 200 nationalities are living and working in the UAE, with their number exceeding that of nationals. The Indian community is one of the largest expatriate communities residing in the State, followed by the Pakistani, Bengali, and other Asian, European and African nationalities.

Workforce

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According to the Federal Competitiveness and Statistics Authority's data, the highest percentage of laborers in the UAE in 2020 was concentrated in the construction sector, accounting for 17.3%, of which 22.1% were males and 2.1% females, followed by the wholesale and retail trade sector and vehicle repairs with a rate of 13.4%, of which 15.3% were males and 7.5% females, then the household activities sector which hires individuals with a rate of 12.6%, where males accounted for 5% and females for 36.7% as shown in the table below.

The unemployment rate amounted to 4.3% during 2020, with an increase of 2.2% compared to 2019, due to COVID-19 pandemic and the resulting disruption of economic activity in the State following the early lockdown and containment measures.

Table (24)

Distribution of laborers (15 years and above) by nationality, gender and economic activity, 2020

Economic activity	Total		
	Male	Female	Total
Agriculture, forestry, and fishing	2.3 %	0.0 %	1.8 %
Mining and quarrying	1.3 %	0.7 %	1.2 %
Manufacturing	9.7 %	2.5 %	8.0 %
Electricity, gas, steam and air conditioning supply	0.8 %	0.4 %	0.7 %
Water supply, sewage activities and treated waste management	0.4 %	0.3 %	0.4 %
Construction	22.1 %	2.1 %	17.3 %
Wholesale and retail trade and motor vehicle repair	15.3 %	7.5 %	13.4 %
Transport and warehousing	5.6 %	3.2 %	5.0 %
Accommodation and food service activities	4.4 %	2.5 %	4.0 %
Information and communication	3.0 %	2.2 %	2.8 %
Financial and social security activities	3.4 %	3.4 %	3.4 %
Real estate activities	2.2 %	1.7 %	2.1 %
Vocational, scientific, and technical activities	5.6 %	4.6 %	5.4 %
Administrative and support services activities	6.2 %	3.1 %	5.5 %
Public administration and defense and compulsory social security	6.2 %	6.2 %	6.2 %

Economic activity	Total		
	Male	Female	Total
Education	2.1 %	12.0 %	4.5 %
Human health and social service activities	2.2 %	8.4 %	3.7 %
Arts, entertainment and recreation	0.7 %	0.5 %	0.6 %
Other services activities	1.5 %	1.9 %	1.6 %
Activities of households that hire individuals	5.0 %	36.7 %	12.6 %
Activities of organizations and bodies that are not subject to judicial jurisdiction	0.0 %	0.1 %	0.0 %
Unidentified	0.1 %	0.0 %	0.0 %
Total	**100 %**	**100 %**	**100 %**

Source: Federal Center for Competitiveness and Statistics / workforce survey 2020

Distribution of laborers compensation by economic sectors

The relative distribution of laborers' compensation according to economic sectors for 2020 indicates that the public administration, defense and compulsory social security sector topped economic sectors in terms of the State's laborers' compensation value, which amounted to AED93.1 billion, 18.9% of the total laborers' compensation in 2020, followed by the wholesale and retail trade and motor vehicle repair with a value of AED64.7 billion, 13.1 % of the total compensation value. In the third place came the construction sector at a value of AED54.6 billion, 11.1% of the total compensation value, followed by the manufacturing industries sector at the value of AED44.8 billion, 9.1% of the total compensation value and the transportation and warehousing sector with a value of AED33.9 billion, 6.9% of the total compensation value. The total compensation value of laborers working in the said five sectors accounted for about AED291.1 billion, 59.1% of the total wages and compensation of laborers working in the State in 2020.

Table (25)

(Estimates of laborers compensation (wages volume) by economic sectors for 2019 and 2020 (AED million

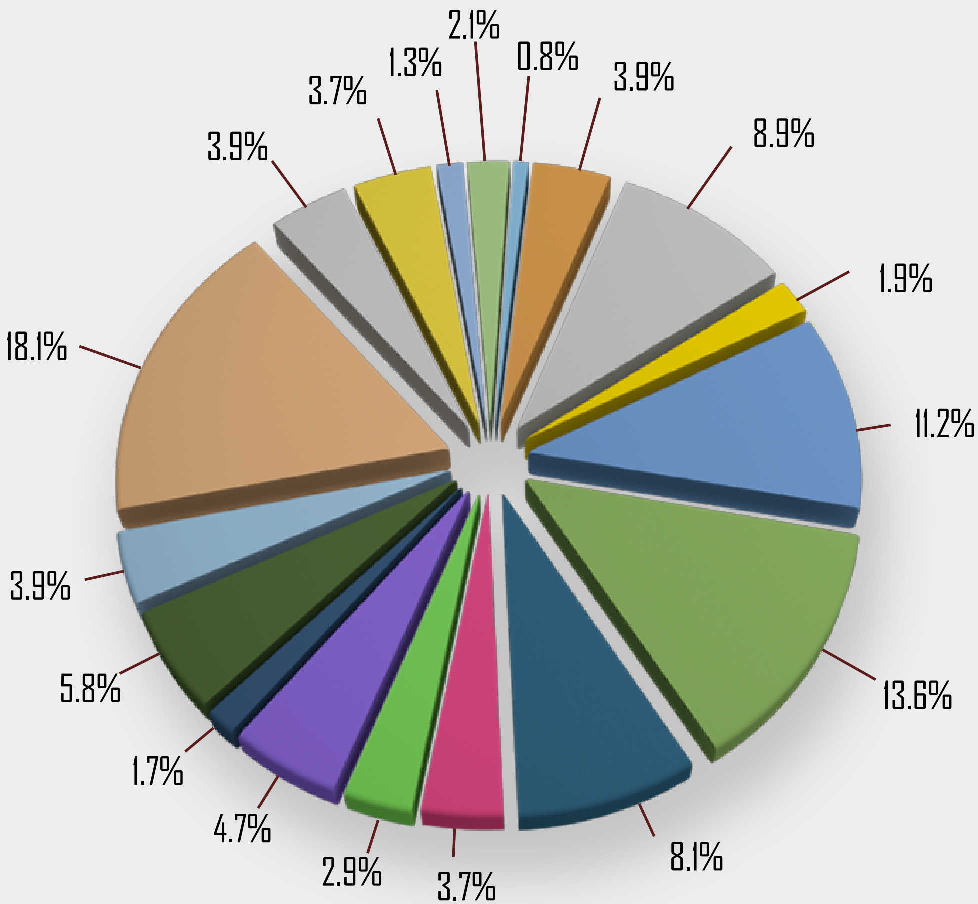
Sectors	Laborers compensation 2019	%	Laborers compensation 2020	%
Agriculture, forestry, and fishing	3,962	0.8 %	4,132	0.8 %
Extracting industries (including crude oil and natural gas)	20,344	3.9 %	19,058	3.9 %
Manufacturing industries	46,938	8.9 %	44,827	9.1 %
Electricity, gas, water, and waste management activities	9,839	1.9 %	9,832	2.0 %
Construction	59,030	11.2 %	54,568	11.1 %
Wholesale and retail trade and motor vehicle and motorcycle repair	71,639	13.6 %	64,720	13.1 %
Transport and warehousing	42,502	8.1 %	33,982	6.9 %
Accommodation activities and food services	19,362	3.7 %	16,089	3.3 %
Information and communication	15,061	2.9 %	14,382	2.9 %

Sectors	Laborers compensation 2019	%	Laborers compensation 2020	%
Financial and social security activities	24,864	4.7 %	24,016	4.9 %
Real estate activities	8,890	1.7 %	8,141	1.7 %
Vocational, scientific, and technical activities	30,346	5.8 %	28,538	5.8 %
Administrative and support services activities	20,397	3.9 %	19,781	4.0 %
Public administration and defense and compulsory social security	95,388	18.1 %	93,080	18.9 %
Education	20,340	3.9 %	20,798	4.2 %
Human health and social service activities	19,293	3.7 %	20,355	4.1 %
Art, entertainment and promotion, and other services activities	7,076	1.3 %	6,622	1.3 %
Activities of households as employers	10,801	2.1 %	10,171	2.1 %
Total	**526,072**	**100.0 %**	**493,093**	**100.0 %**

Source: Federal Center for Competitiveness and Statistics, open database

Figure 23

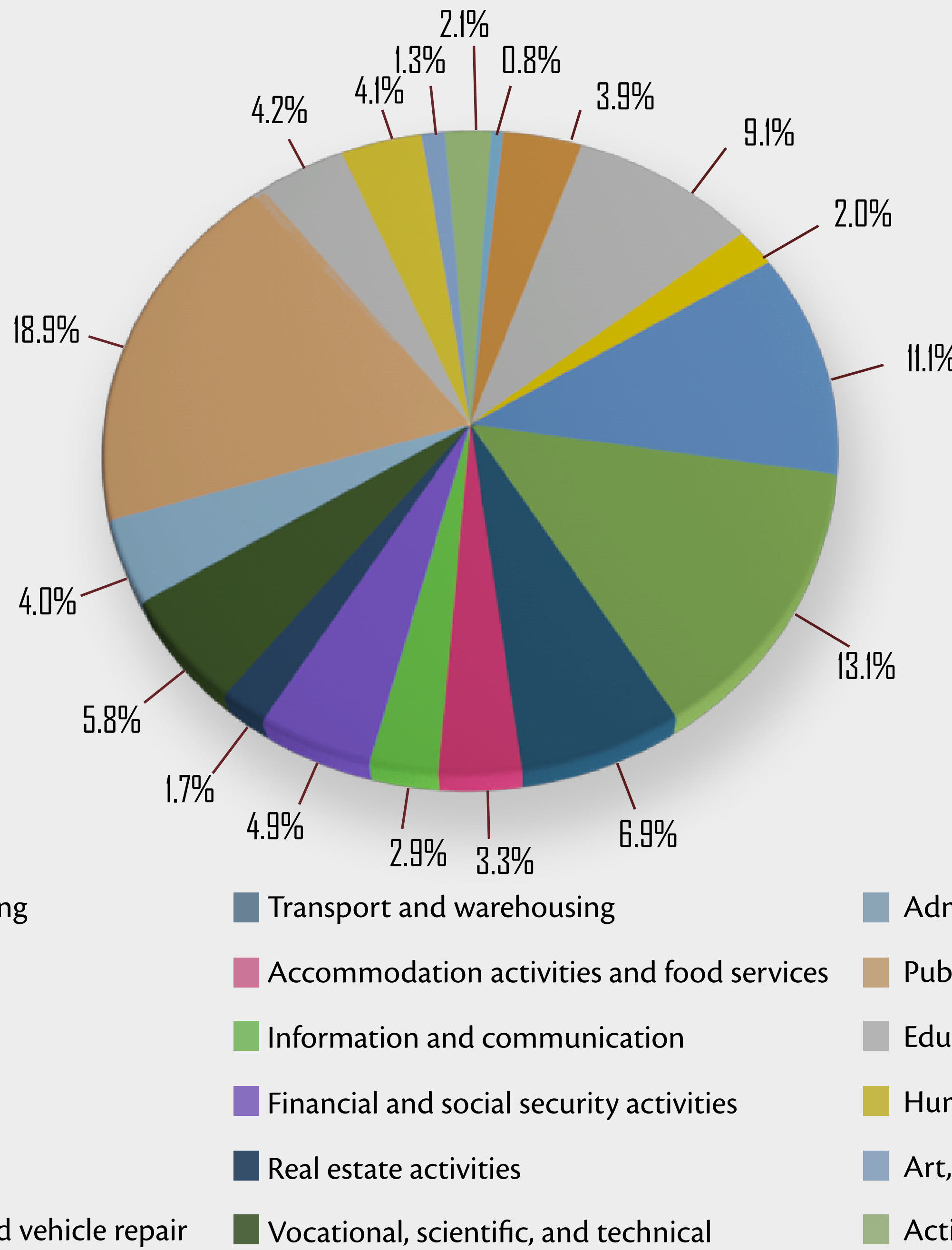
Proportional distribution of laborers' compensation by economic sectors for 2019



- Agriculture, forestry, and fishing
- Extracting industries
- Manufacturing industries
- Electricity, gas, water
- Construction
- Wholesale and retail trade and vehicle repair
- Transport and warehousing
- Accommodation activities and food services
- Information and communication
- Financial and social security activities
- Real estate activities
- Vocational, scientific, and technical
- Administrative and support services activities
- Public administration , defense and security
- Education
- Human health activities
- Art, entertainment and promotion
- Activities of households as employers

Figure 24

Proportional distribution of laborers' compensation by economic sectors for 2020



6

Economic Issues

A study about “Measuring the Impact of the Unification of Public Holidays between the Private and Public Sectors”

The following public holidays were set:

On March 5, 2019, the Cabinet adopted Resolution No. (34M/9O/2018) on the unification of public holidays in both the public and private sectors in the State. Pursuant to the Resolution, the public holidays of the government sector were determined for 2019-2020 and the private sector was granted similar public holidays, at a total of 14 days of annual public holidays for both sectors. This step was aimed at fostering communication and balance between the two sectors and supporting the various sectors of the national economy.

- Hijri New Year
- Gregorian New Year
- Eid Al Fitr
- Arafah day
- Eid Al Adha
- Prophet Mohammed's birthday
- Commemoration Day
- UAE National Day

Study Objective

The study is aimed at measuring the economic impact of unifying public holidays for the public and private sectors at the micro and macro levels by measuring the following:

- The impact on the level of communication, balance and strength of partnership between the government and private sectors through measuring the level of response of private sector companies to the Cabinet Resolution.
- The micro impact on the non-oil economic activity by measuring the effect of increasing the holidays on the micro production of private sector companies and the productivity of workers at those companies.
- The impact on the psychological and physical health, happiness and satisfaction of workers in the private sector
- The Impact on Emiratization in the private sector
- Determining the total economic cost/benefit of unifying holidays for private sector companies

Study Methodology

With the help of the Departments of Economic Development of the Emirates of Dubai and Abu Dhabi, a diverse random sample of private sector companies consisting of 46 companies in the Emirates of Dubai and Abu Dhabi distributed among various key economic sectors of high relative importance in the non-oil GDP was selected .

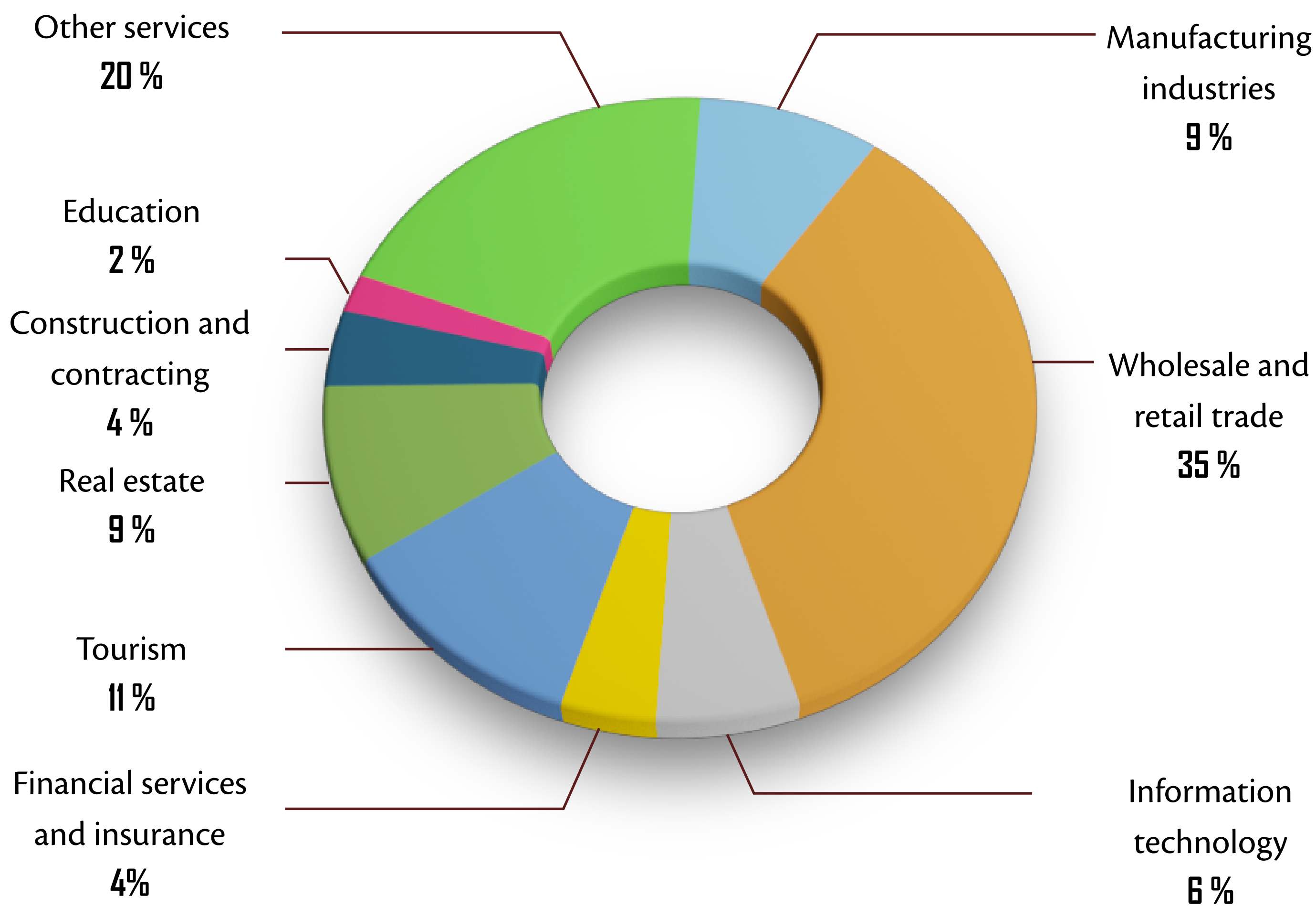
An electronic questionnaire has been prepared for human resources in private companies that measures the following:

- The extent of the company's commitment to granting the leaves prescribed by the Cabinet's Resolution
- Worker's productivity/ performance level
- Company's production level
- Emiratization rate
- (Sick leave percentage (improved physical and mental health
- Satisfaction and happiness in the workplace
- Companies' general satisfaction with the decision

Sample Distribution and Study Population

Figure 25

First: Distribution of study sample according to economic sectors



The study sample included 46 companies distributed to among various economic sectors in the Emirates of Dubai and Abu Dhabi

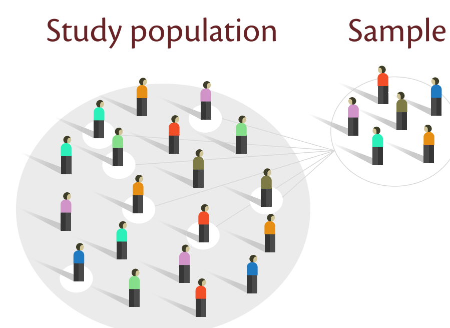
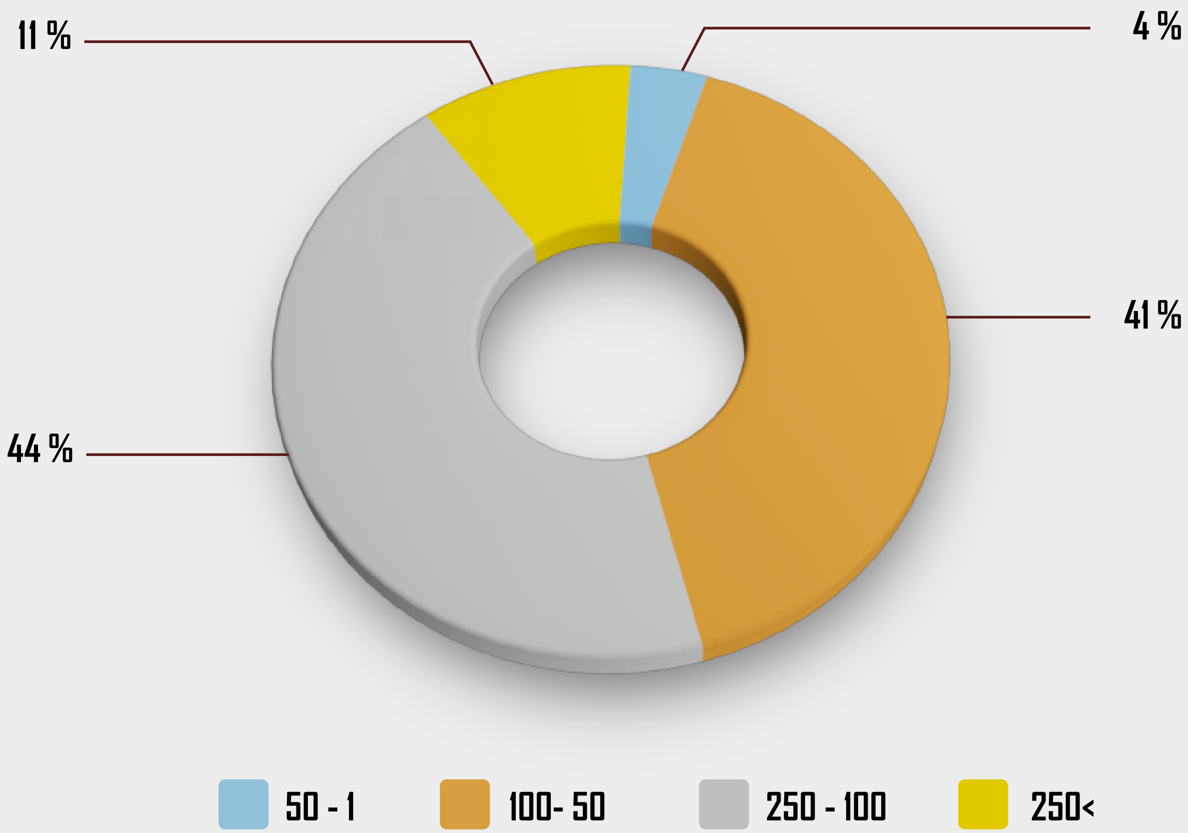


Figure 26

Distribution of companies according to number of employees



Study Findings

First: Private sector companies' commitment to granting public holidays

Private sector companies are committed to granting public holidays set out in the Resolution, as follows:

(96 - 100)% of private companies are committed to granting the following public holidays

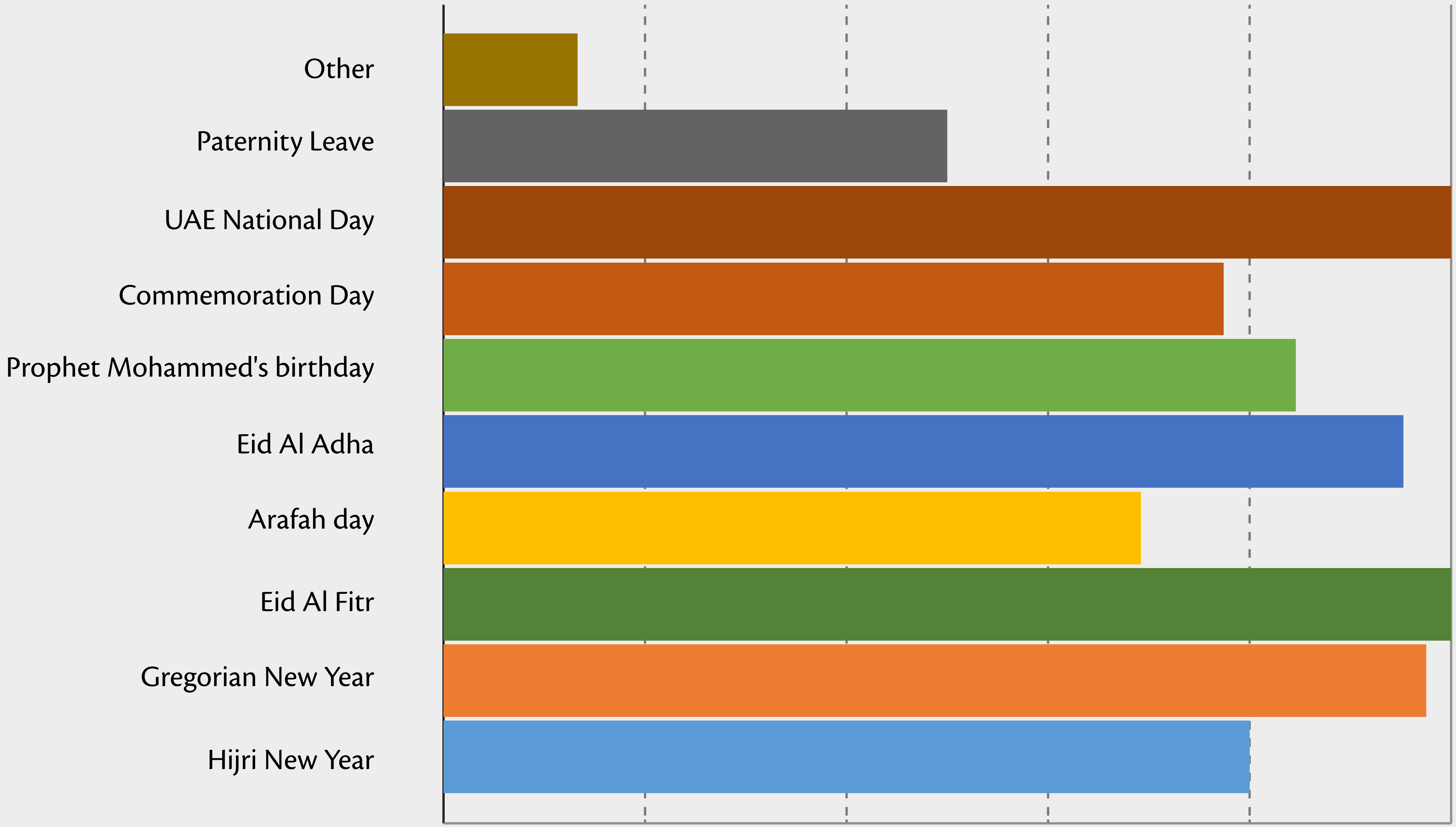
- Eid Al Fitr
- Eid Al Adha
- Gregorian New Year
- National Day

(67 - 85)% of private companies are committed to granting the following public holidays

- Prophet Mohammed's birthday
- Hijri New Year
- Commemoration Day
- Arafah day

As for the other leaves not set out in the Cabinet Resolution, 50% of companies grant their employees paternity leaves, and 15% of them grant employees other leaves on various religious holidays, pilgrimage, marriage, maternity, study, death of relatives, and others leaves.

Figure 27

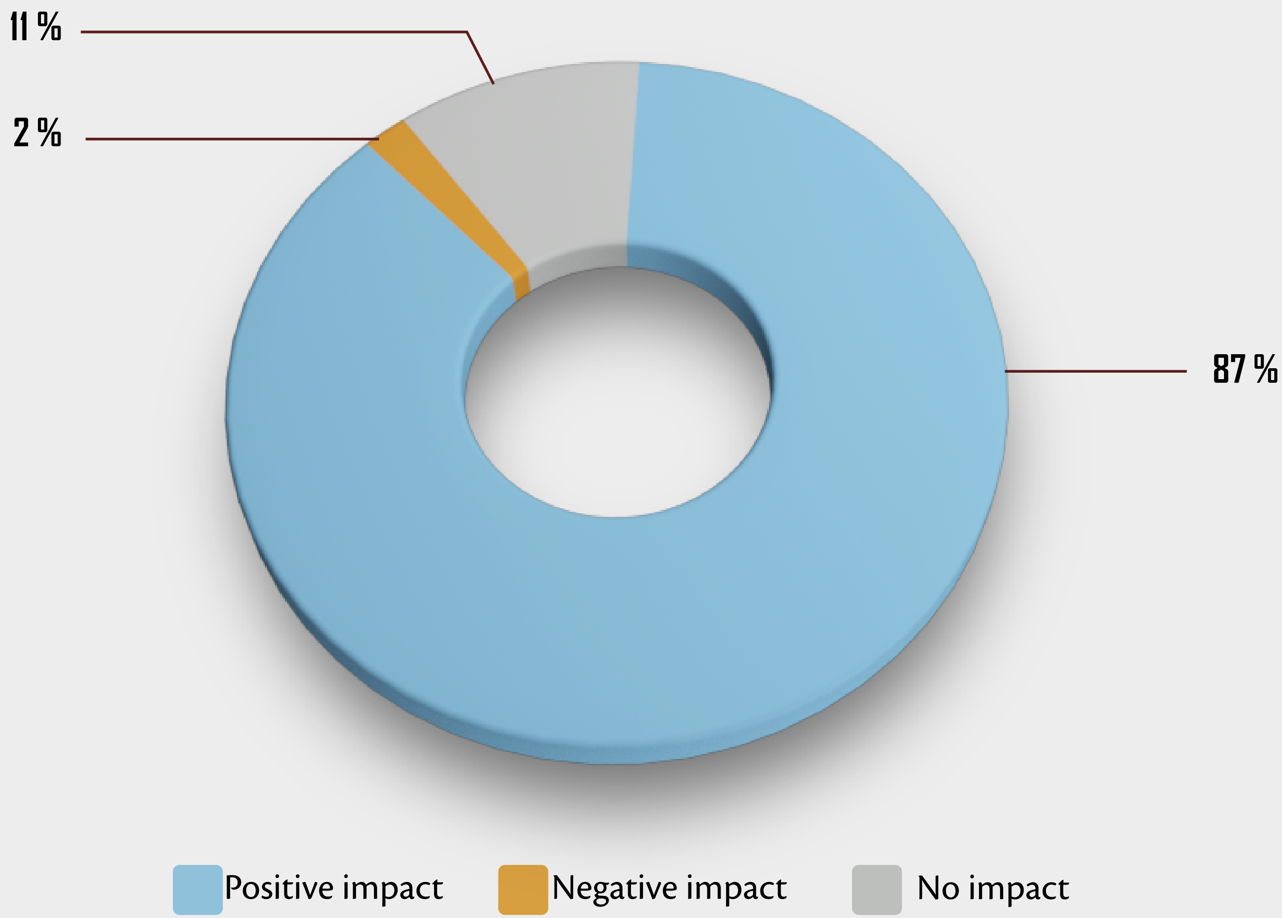

Other
Paternity Leave
UAE National Day
Commemoration Day
Prophet Mohammed's birthday
Eid Al Adha
Arafah day
Eid Al Fitr
Gregorian New Year
Hijri New Year

Second : The impact of unifying public holidays on the total production of companies in the private sector

Total production volume increased in 87% of companies due to the increased number of public holidays.

Figure 28

The impact of unifying public holidays on the company's total production

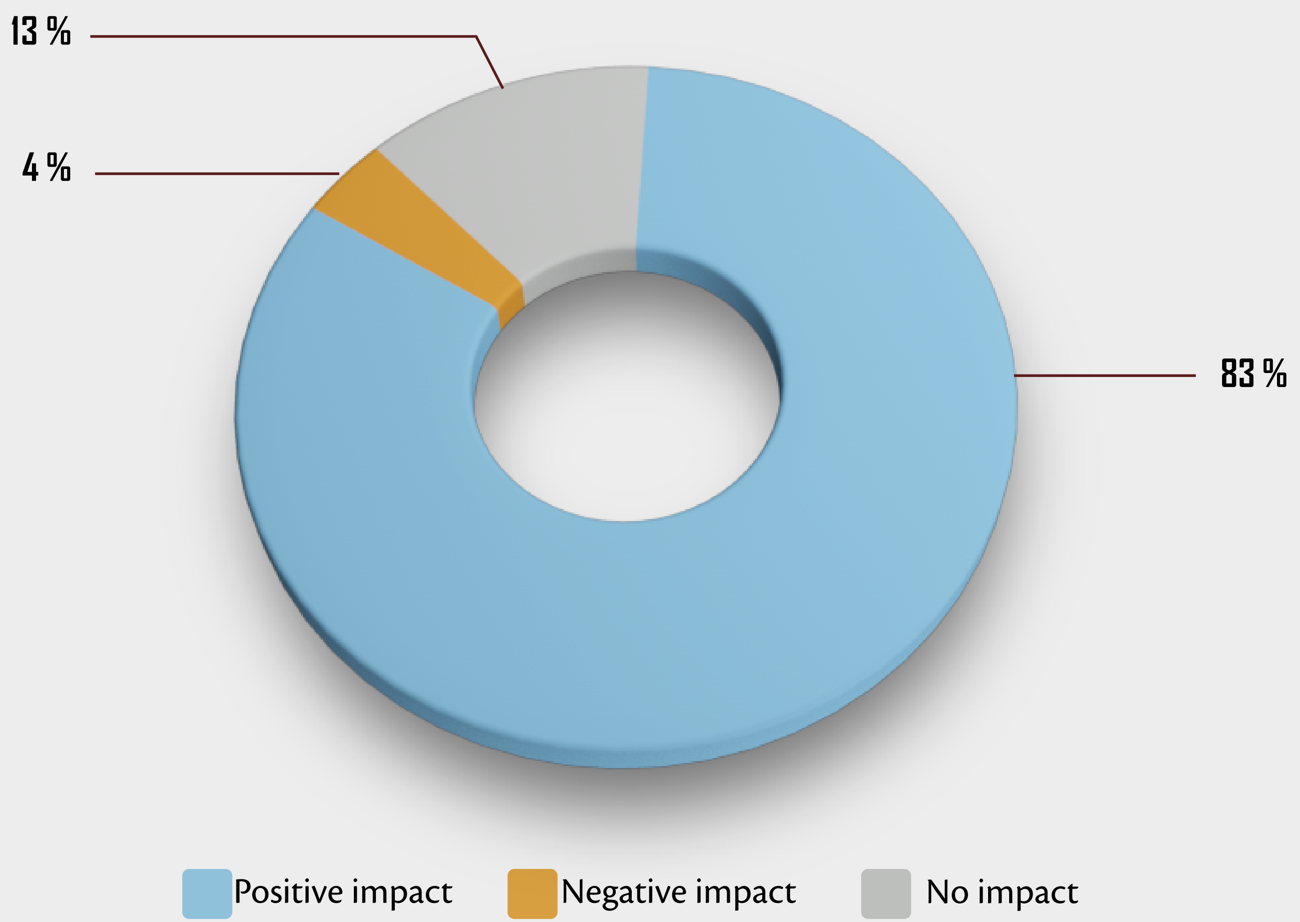


Third: Impact of unifying public holidays on the average worker productivity or workers' performance level in the private sector

The increased number of public holidays positively impacted the increase of workers' productivity and their performance level in 83% of private sector companies

Figure 29

The impact of unifying public holidays on the worker's productivity and performance level

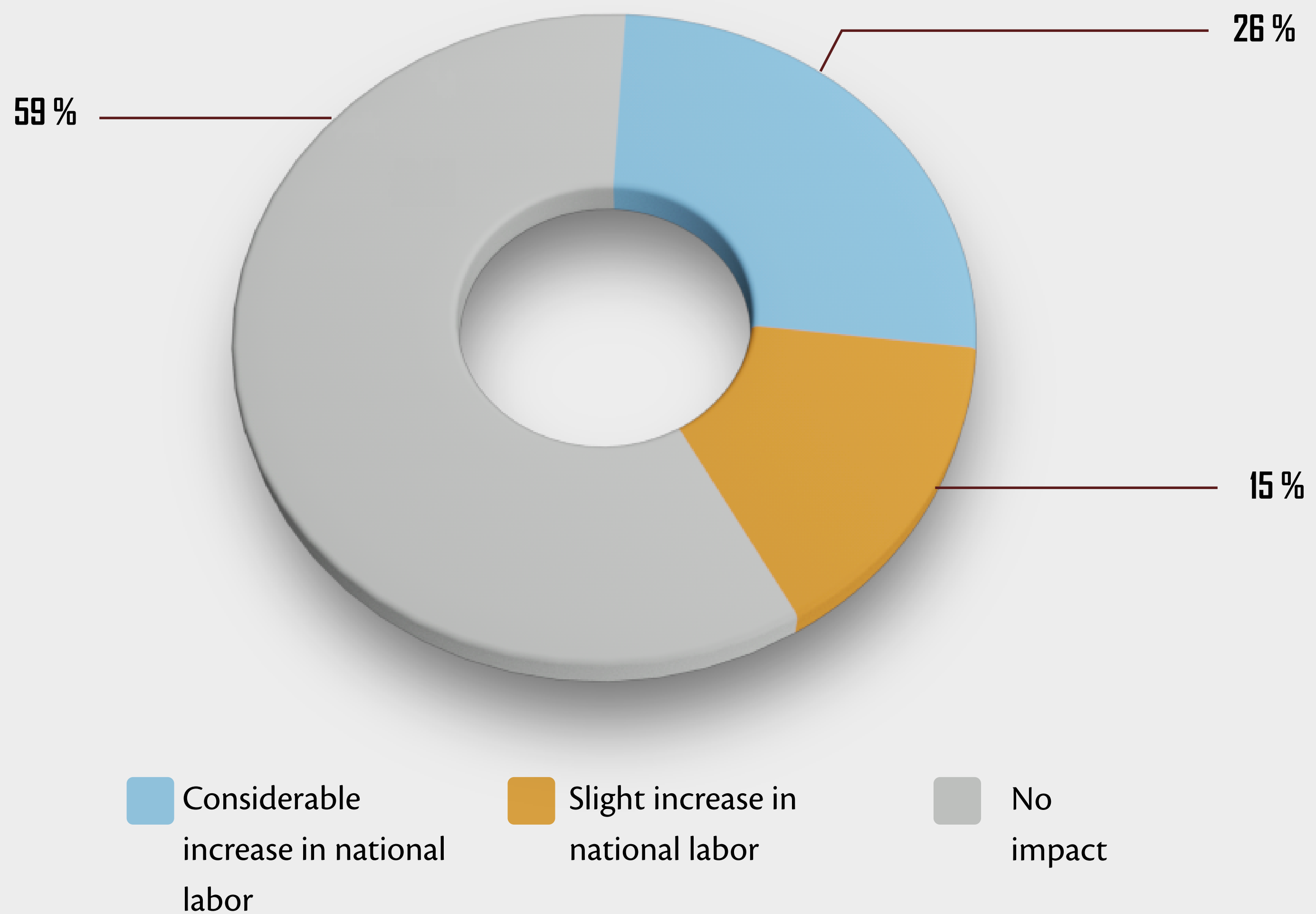


Fourth: Impact of unifying public holidays on Emiratization in the private sector

The increase in public holidays positively affected attracting national labor in 41% of private sector companies

Figure 30

The impact of unifying public holidays on attracting national labor

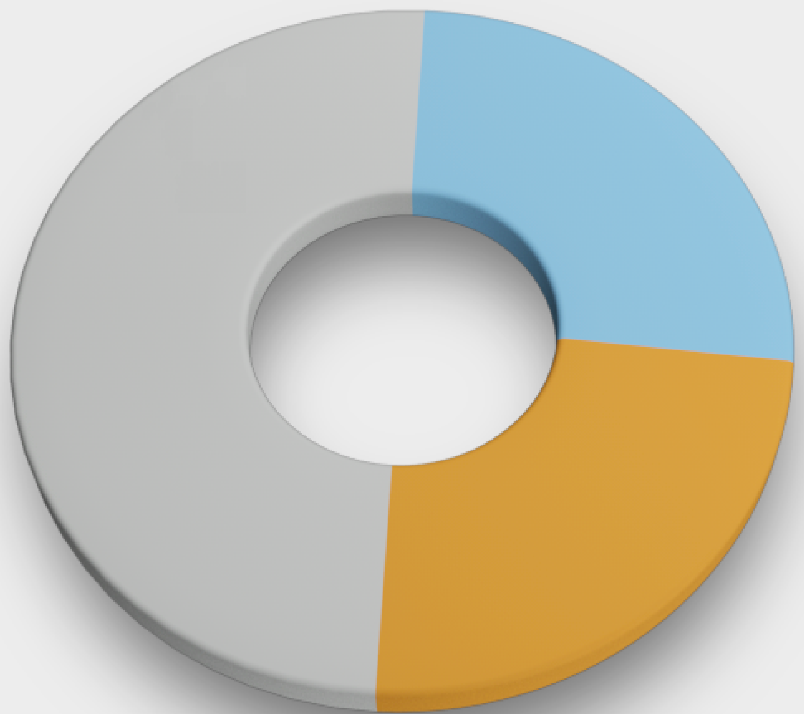


Fifth: The impact of unifying public holidays on the psychological and physical health of workers in private companies

The increase in the number of public holidays led to the reduction of the number of sick leaves of workers in 50% of private sector companies, which reflects the improved psychological and physical health of the workers.

Figure 31

Effect of unifying public holidays on reducing workers’ sick leaves



Sixth: Impact of unifying public holidays on increasing the satisfaction of workers in private sector companies

Workers' satisfaction increased in 92% of private sector companies

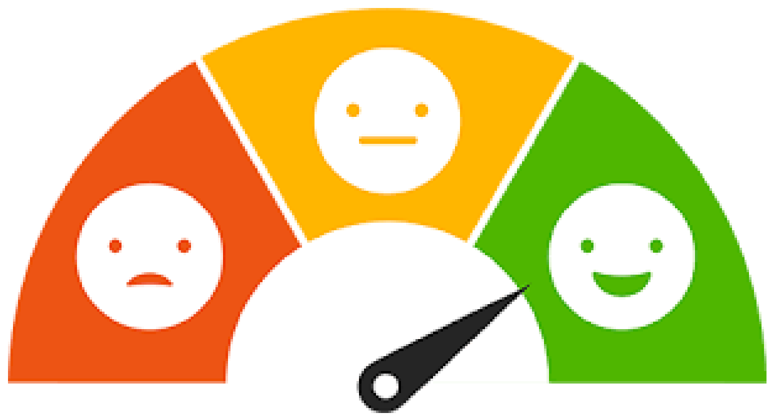
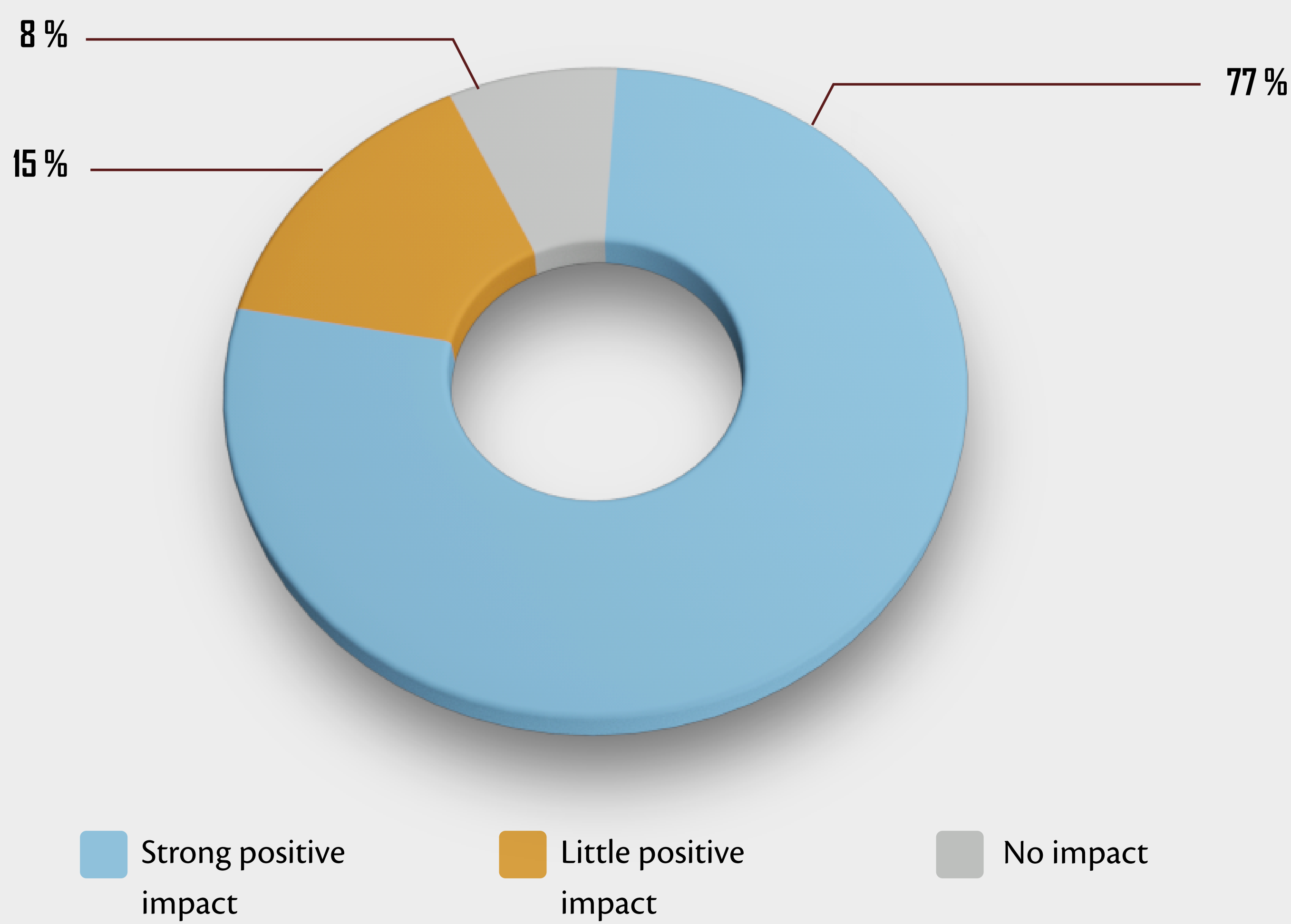


Figure 32

The impact of unifying public holidays on the workers' satisfaction

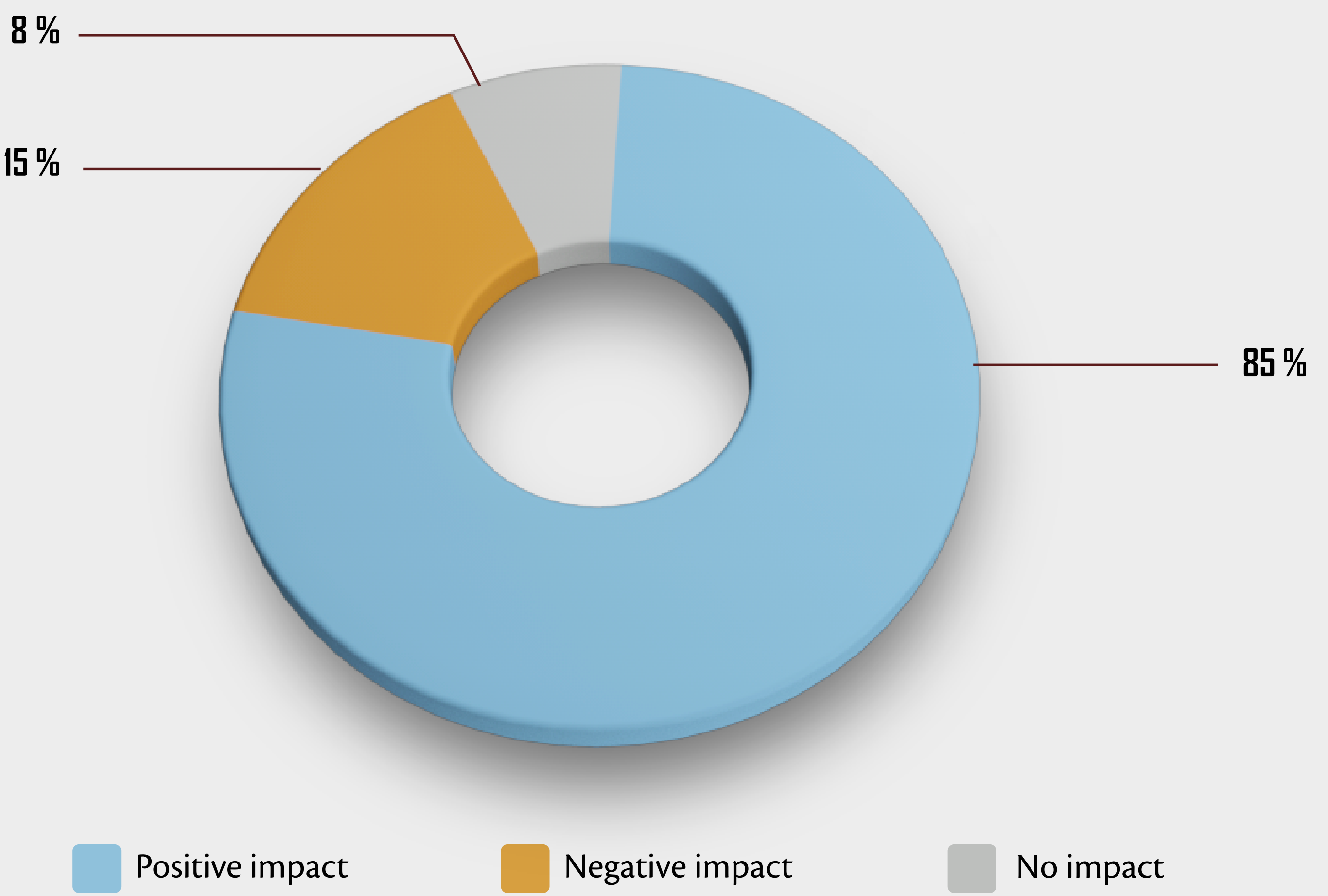


Seventh: General impression of private sector companies on the impact of unifying public holidays between the public and private sectors

In general, 85% of private sector companies have positive impression of the impact of unifying public holidays between the public and private sectors.

Figure 33

General impression of companies on the impact of unifying public holidays



Final Result and Recommendations

Final result of the impact of unifying public holidays

Achieving economic and social benefit at the private sector level through making productivity gains and increasing activity and positivity in the work environment.

Strengthening partnership between the private and public sectors. This was evident through the private sector companies' commitment to implementing the Resolution on the one hand, and the general positive impression regrading the Resolution among private sect or companies on the other, a finding that reflects the general satisfaction among those in charge as well as workers in private sector companies.

Providing an attractive environment for citizens to work in the private sector, which supports the government's efforts to achieve the objective of the National Agenda in increasing the Emiratization rate in the private sector.

Recommendations

Continued improvement of the work environment, the creation of good and attractive work conditions for citizens to seek jobs in the private sector, in a way that reinforces the Emiratization drive.

Continuous evaluation of government resolutions and policies and strengthening partnership with the private sector being an essential drive of the State's economic activity.

7

Expectations for the UAE Economy for 2021 and 2022

The International Monetary Fund (IMF) expected the UAE economy to achieve upward growth starting this year 2021 till 2026, reinforced by the improvement in the performance of the oll and non- oll economy, the policies stimulating the micro economy and the recovery of the tourism activity. According to the Fund's estimates listed in the October issue of the World Economic Outlook report, the UAE economy growth rate is expected to reach 2.2% this year before increasing to 3% in the next year 2022, and will continue to grow till 2026 at a growth average of 3.3%.

A remarkable improvement is expected in the UAE's current account surplus, which is expected to jump from an equivalent of 3.0% of the GDP in the last year to 9.7% this year, 9.4% in the next year and about 8. 3% till 2026.

Inflation is expected to rise in the State during the current year to reach 2%, compared to a deflation rate of 2.1% last year. It is also expected to slightly rise next year to reach 2.2%.

The non-oil economy in the UAE is expected to grow by 3% this year, backed up by the policies stimulating the micro economy, tourism recovery, Expo Dubai 2020 related activities, the early and strong care response and emphasizing that the economic recovery in the UAE is gaining new momentum . The oil economy performance is expected to further improve in the medium term, and the global increase in oil prices is expected to contribute to the increase of the fiscal and external budgets balance.

The Central Bank of the UAE (CBUAE) expects the real GDP to reach 4.2% this year 2021, and a growth of 8.3% in the real non-hydrocarbon GDP. As for 2022, the Central Bank expects the real GDP to amount to 8.3% as it fully recovers, and the real non-hydrocarbon GDP to increase by 9.3%. However, the economic expectations include an exceptional situation of uncertainty in the light of COVID-19 implications, which makes these predictions subject to amendment.

While annual deposits at banks increased, the total credit decreased. In general, the financial soundness indicators remained in a good state during this period, on grounds of the positive impact of the CBUAE's Targeted Economic Support Scheme and the gradual recovery of economy. The UAE acted quickly to confront the health and economic consequences of the pandemic, and focused on economic recovery. The UAE managed to vaccinate 95% of the population with a single-dose at least, which contributes to enhancing the course of recovery. The gradual course of economic recovery is expected to continue this year thanks to the supportive macro economy policies.

The measures that the UAE can adopt in the upcoming period to enhance growth include providing new financial incentives and structural reforms, such as the adoption of measures that attract experts. support employment in the private sector, boost foreign investments and trade and prioritize reaping the benefits of technology to guarantee its effectiveness and to ensure the inclusiveness of its outputs.