

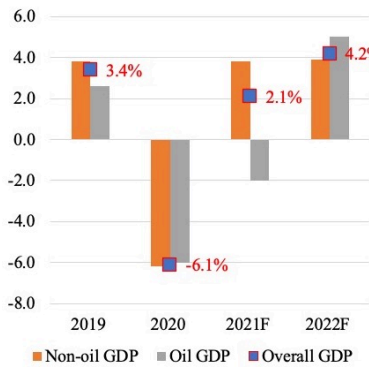
Weekly Insights 23 Sep 2021: UAE's growth forecasts rebound in 2021 & 2022

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1. UAE expected to grow by 2.1% this year (*Central Bank*); Dubai by 3.1% (*Dubai DED*)

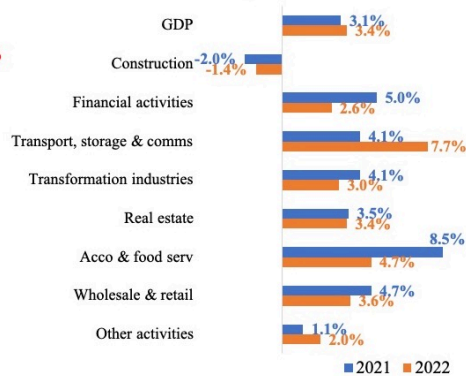
- The UAE central bank expects UAE growth to rebound by 2.1% this year (2020: -6.1%), supported by a recovery in the non-oil GDP (+3.8% from -6.2% in 2020)
- Separately, the Dubai Department of Economic Development forecasts Dubai's GDP to increase by 3.1% yoy in 2021, with recoveries the most among Covid19-affected sectors like accommodation and food services (+8.5%) and wholesale & retail (4.7%). This is underscored by the 5 stimulus packages announced by the emirate's government since the start of the pandemic that amounted to AED 7.1bn, or 1.6% of Dubai's GDP. (*Dubai Statistics Centre preliminary estimates for GDP growth stood at an estimated 1% qoq in Q1 2021*)
- The PMI indicators for both UAE and Dubai remain in expansionary, supported by optimism ahead of the Expo event which begins in Oct, with a drop in daily cases alongside a strong vaccination campaign.

Central bank forecasts UAE growth at 2.1% this year



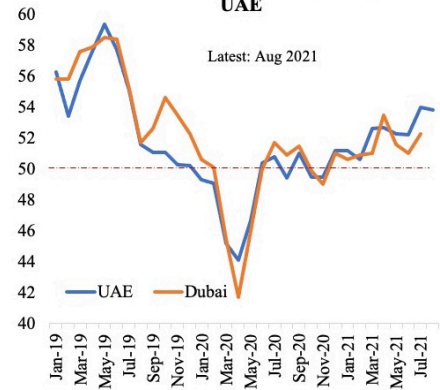
Source: FCSA, UAE Central Bank forecast

Dubai GDP forecast to grow by 3.1% this year



Source: Dubai DED forecast

Non-oil sector PMIs: a recovery story in the UAE

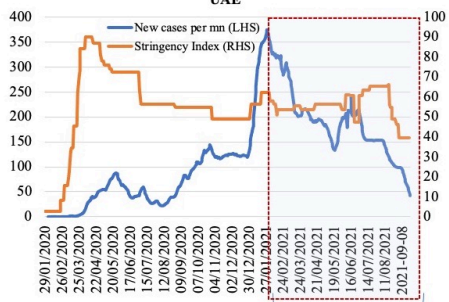


Source: Refinitiv Datastream. Chart by Nasser Saidi & Associates

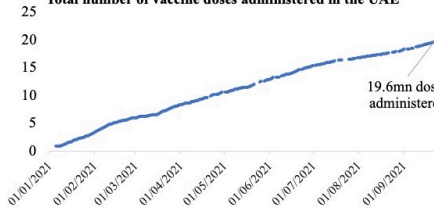
2. An update on Covid19 cases & vaccination campaigns ahead of the start of the Expo

- **Daily cases in the UAE have been falling consistently** (under 500 for the past few days), and with **test positivity rates at just 0.2%**, **stringency levels have been eased slowly**.
- **Visitors to the Expo need to be either vaccinated or present a negative PCR**: the share of vaccinated people in DXB's main tourist market all exceed 60%, with **daily cases on the decline** (except in the UK & US) and **vaccination rates are also picking up** (especially in Europe & China).

Daily new confirmed cases & stringency levels in the UAE

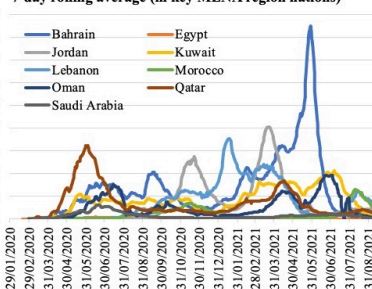


Total number of vaccine doses administered in the UAE

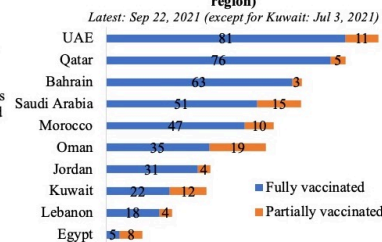


Source: Our World in Data (as of 22 Sep 2021); Charts by Nasser Saidi & Associates

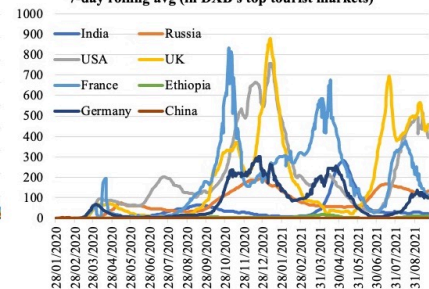
Daily new confirmed Covid19 cases per mn persons 7-day rolling average (in key MENA region nations)



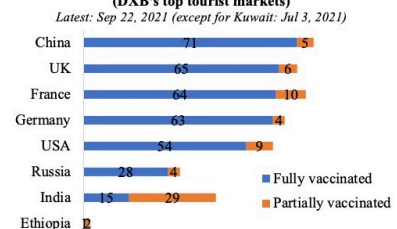
Share of people vaccinated against Covid19 (MENA region)



Daily new confirmed Covid19 cases per mn persons 7-day rolling avg (in DXB's top tourist markets)



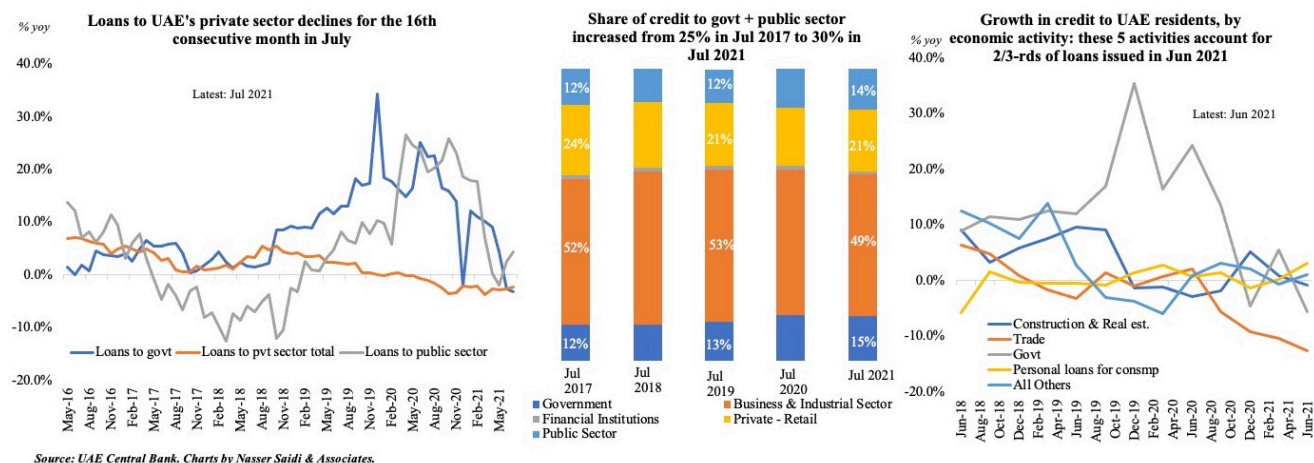
Share of people vaccinated against Covid19 (DXB's top tourist markets)



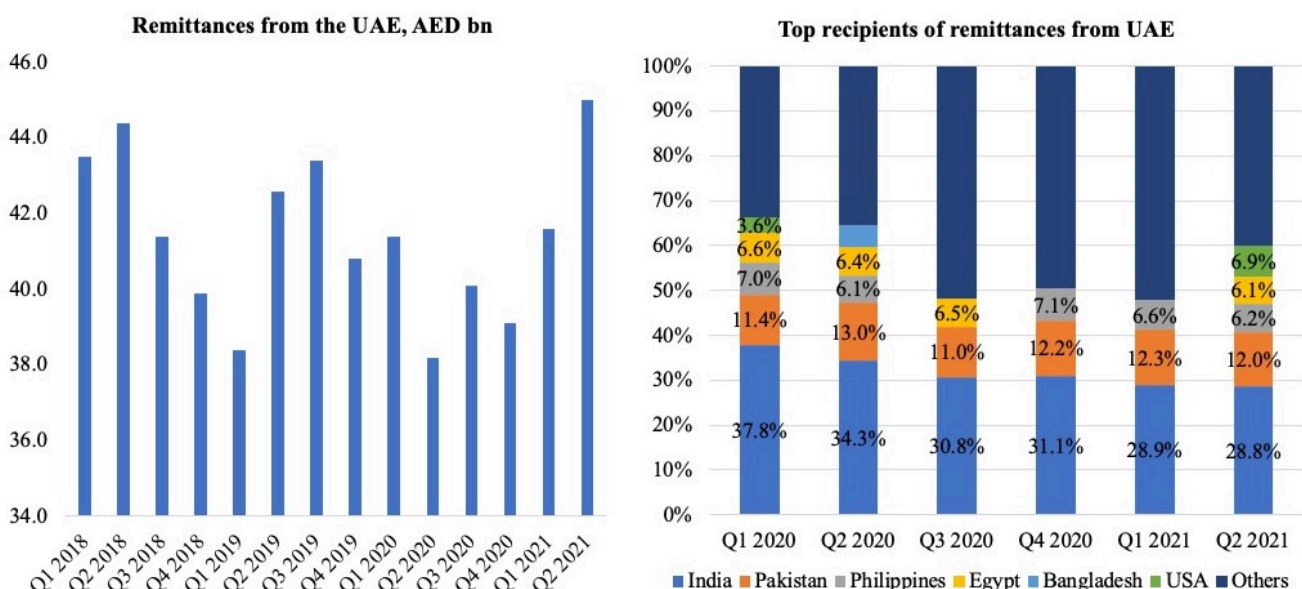
3. The decline in credit disbursed to UAE's private sector

continues past H1 2021

- **Overall domestic credit disbursed in UAE fell by 1.6% yoy and 0.1% mom in Jul 2021**
- **July marks the 16th consecutive month of yoy decline in credit to the private sector and 13th consecutive month of yoy decline in lending to the business sector.**
- A breakdown of lending by economic activity shows that the **major shares with respect to credit by economic activity remain largely unchanged in Jun 2021**: personal loans for consumption (21.3%), construction (20.3%), government (14.6%), others (9.3%) and trade (8.6%) together accounted for 65% of total loans.



4. Remittances from the UAE surge in Q2 2021

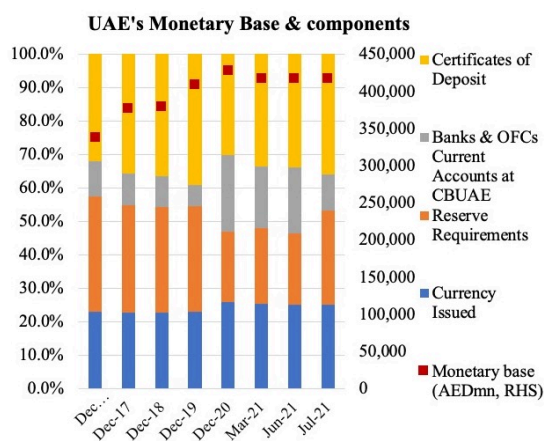


Source: UAE Central Bank. Charts by Nasser Saidi & Associates

- **In Q2 2021, total remittances from the UAE surged by 17.8% yoy and 8.2% qoq to a total of USD 45.0bn.** In Q1 2020, given the stringent lockdowns, remittances had dropped by 10.3% yoy to USD 38.2bn.
- Remittance transfers via exchange houses declined in Q2 2021; **transfers via banks have gained traction after Covid19**, up 31% qoq and 12% qoq in Q1 and Q2 this year respectively.
- **India retains its spot as the largest recipient of remittances from the UAE. However, its share in remittances dropped** to 28.8% of the total in Q2 this year (vs. 31% at end-Q4 2020 and 37.8% at end-Q1 2020). The decline in share of remittances to India could be due to two factors: one, job losses; two, residents who were affected by the flight ban and stuck in India.

5. UAE banking system remains well capitalized; monetary base contracted in Jul 2021

- **UAE's monetary base contracted by 1.4% mom in Jul**, with Banks & OFC's Excess Reserves (11% of monetary base) declining by almost half (vs a month ago) while Certificates of Deposits purchased by banks (35.9% of monetary base) rose by 4.0% mom.
- **Of the monetary aggregates, M1 and M2 declined** by 0.8% mom and 0.7% respectively in Jul while M3 inched up by 0.1%, thanks to the 4.5% rise in government deposits. *(These values are not seasonally adjusted)*
- The **increases in the multipliers of M1, M2 and M3** indicate slower decline (/faster uptick) in the monetary aggregates M1, M2 (and M3) compared to the contraction of the monetary base



Source: UAE Central Bank. Charts by Nasser Saidi & Associates.

Money Multipliers in the UAE					
	Dec-19	Dec-20	Mar-21	Jun-21	Jul-21
Money Multiplier of M1	1.3	1.4	1.5	1.6	1.6
Money Multiplier of M2	3.5	3.5	3.6	3.6	3.5
Money Multiplier of M3	4.2	4.1	4.2	4.3	4.3

UAE Financial Soundness Indicators (%)					
	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21
Advances to Stable Resources Ratio	81.9%	78.6%	77.6%	77.5%	77.7%
Eligible Liquid Assets Ratio	16.6%	16.9%	18.4%	18.8%	18.3%
Capital Adequacy Ratio (CAR)	17.6%	18.0%	18.2%	17.9%	17.5%
Tier 1 Capital Ratio	16.4%	16.9%	17.1%	16.7%	16.3%

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