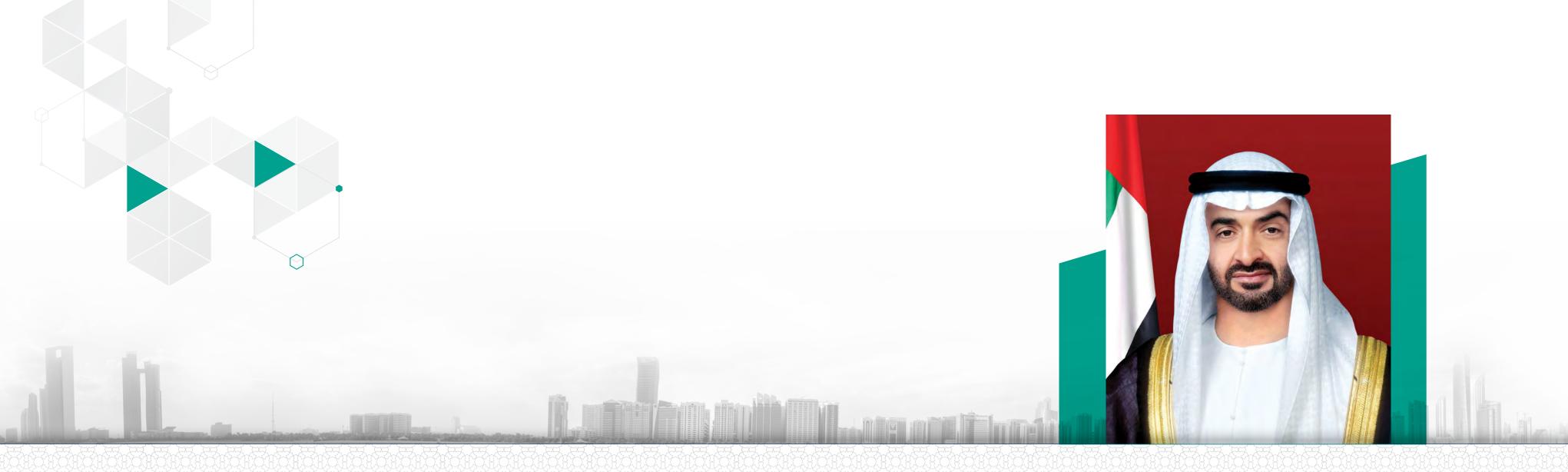




Abu Dhabi Department of Economic Development Economic Strategy Sector June 2023

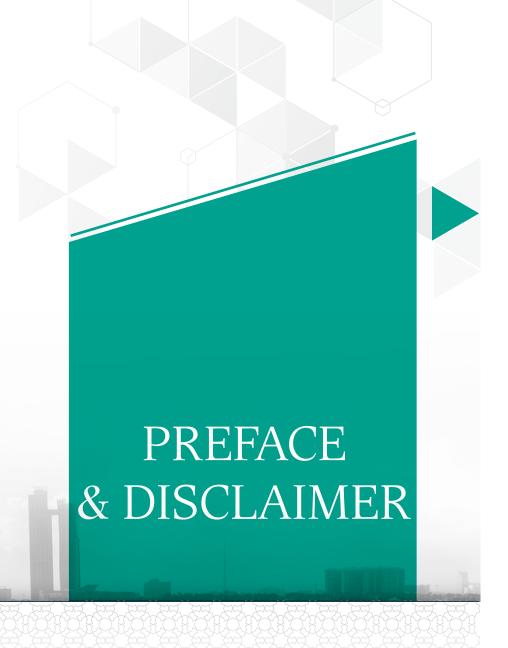


Abu Dhabi Department of Economic Development Economic Strategy Sector June 2023



HIS HIGHNESS SHEIKH MOHAMMED BIN ZAYED AL NAHYAN

President of the UAE - Ruler of Abu Dhabi May God Protect Him



The Abu Dhabi Annual Economic Report (ADAER or Report) is produced by the Economic Strategy Sector (ESS) of the Abu Dhabi Department of Economic Development (ADDED).

This Annual Report is part of a series of periodic economic publications issued by the ADDED that include Quarterly Economic Updates (4), Sectoral Reports (4), and a Special Report (1) that focuses on one thematic issue of note each year.

The Abu Dhabi Annual Economic Report (Annual Report or Report) is an overview of the global and regional economic conditions and trends that are notable to the Emirate of Abu Dhabi. It also provides a historical perspective of key economic events that shaped the Emirate over the past year, context for how the past year compares to recent history, and the implications for emerging trends shaping the economic future of Abu Dhabi.

The Report is structured to encompass a global perspective, using global data and five key economies (that are both globally relevant and have strategic linkages to the Emirate) as a reference for the global economic state of affairs. It then looks at the economic situation closer to home, with an eye on the broader region (MENA, Arab world, and/or GCC), as well as at the Federal level–Abu Dhabi being one of seven emirates that

comprise the United Arab Emirates (UAE). Finally, the Report drills down into the highlights of the Abu Dhabi economy and outlines projections of some of these variables for coming years.

This Report represents a small snapshot of the complex economic forces that affect Abu Dhabi externally and shape it from within. Those interested in developing a deeper understanding of the economic situation of Abu Dhabi should supplement this Report with other reputable sources of research and analysis. No single report will be able to completely cover all the aspects that matter to an economy, but the information and analysis here will help the reader to gain a better understanding of the Abu Dhabi economy.

The contents of this Report were coordinated by ESS's Economic Research Team: Aysha Al Shamisi, Khulood Al Soomehi and Haytham Abuzeid. It benefited form the assistance of Dr Kai Chan along with the supervision of Khalifa Al Hosani, under the direction of H.E. Ahmed Helal Al Blooshi. The authors acknowledge the full support from the ESS's Data Team, and other departments within the ADDED.

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OPENING REMARKS 2022 was a strong year for the Abu Dhabi economy, growing 9.3% in real terms, after a tepid 2021 (3.4% growth). In fact, the global Great Recovery of 2021 (world GDP grew 6.3%) that had seemingly bypassed Abu Dhabi had come to this region with a one-year delay.

In real terms (holding the price of oil constant), the oil economy grew 10.2%, as we increased production in line with OPEC production agreements. However, the strength of the Abu Dhabi economy was more than just a story about a strong oil sector. The non-oil sector grew 8.4%, with gains in all 16 subsectors.

The non-oil sectors with the highest relative growth were real estate (17.1%) and health & social (16.6%). However, the biggest contributor in dirham terms to growth was manufacturing, which grew by 8 billion dirhams. However, part of the growth in the economy in 2022 was, in effect, a recovery from the downturn associated with the pandemic. Some sectors still lag their pre-pandemic levels, most notably construction.

Oil prices were also favourable last year for us, with the price of Brent crude averaging over \$100 per barrel, compared with \$71 in 2021. The knock-on impact from the oil sector translated to additional real GDP growth.

The buoyancy of the economy in 2022 was also reflected in our capital markets, with the Abu Stock Exchange (ADX) enjoying a bumper year – the index surpassed 10,000 while the market cap attained 2.6 trillion dirhams. We are hopeful for continued success at the ADX in the future thanks to initiatives such as the IPO Fund, which supports companies looking to list. In a similar vein, private sector employment

grew throughout the year to reach 1,458 thousand, surpassing pre-pandemic levels.

The biggest economic challenge in 2022 was a surge in the cost of living. Notably, 2022 was the year of the Global Inflation Surge (GIS) in which inflation rates in many advanced economies reached levels not seen since the 1970s. This was triggered by geopolitics, pent-up demand from Covid lockdowns, loose monetary policy during the pandemic, and central banks being behind the ball when inflation initially started to rise.

Global inflation in 2022 was 8.7%, compared with 4.7% the year prior. Abu Dhabi experienced a spurt in inflation of similar magnitude from 2021 (1.5%) to 2022 (5.6%). The annualised figures mask the true extent of the inflation surge. On a monthly level, it climbed from 2.1% in January to peak at 9.6% in July, before easing to 3.9% in December. Given the dirham peg to the US dollar, there is little room to actively manage the inflation rate since the goal of UAE monetary policy is to target the exchange rate rather than the inflation rate. This is reflected in the fact that the UAE Central Bank (CBUAE) interest rate must match that of the US Fed. Nevertheless, the biggest driver of local inflation in 2022 was the jump in the price of oil/petrol. The transport component of Abu Dhabi's CPI was the biggest contributor to local inflation.

Although growth for 2022 was its highest in 12 years, there were signs that the economy was cooling down in the latter quarter of 2022. Growth in Q4 registered 5.9%, but had previously exceeded 10% over the preceding four quarters.

Much of this slowdown has been dictated by the dynamics of the global economy. The GIS compelled the world's key central banks to raise rates to try to tame inflation. Tight monetary policy has thus been acting to cool the global economy. Nevertheless, higher interest rates are not the worst conditions for the Abu Dhabi economy at the moment given the overall macroeconomic environment.

As we enter 2023, there are challenges and opportunities ahead. The high-interest-rate environment will undoubtedly lead to slower growth in 2023, both globally and in Abu Dhabi. Normally, this would engender diminished trade, but early data suggest a resilience in the sector. Nevertheless, although we are mindful of a global slowdown, the long-term trend still bodes well for Abu Dhabi. Geopolitics have made us a more favourable destination for finance and trade, while we continue to benefit from our strategic geography and ongoing commitments to increase trade and linkages with the global North and South.

The Abu Dhabi DED for its part is working to ensure that we continue to support firms and households in building a stronger economy for all. Through laws/regulations (e.g. 100% foreign ownership of local firms) and initiatives/programs (e.g. golden visas), we aim to make the Emirate an attractive place for talent and capital.

H.E. Ahmed Jasim Al Zaabi

Chairman of the Abu Dhabi Department of Economic Development (ADDED)





The big story of 2022 was the Global Inflation Surge (GIS). The global economy suffered from an uptick in inflation to levels (in advanced economies) not seen since the 1970s. Driving the GIS were, inter alia, geopolitics, pent-up demand from Covid lockdowns, an expansion of the monetary base during the pandemic, and slow reaction by central in responding to the initial rise in inflation. The delayed reaction by central banks – who at first believed the inflation surge to be transitory – forced them to aggressively hike interest rates in 2022 when it became clear that heightened inflation was not as ephemeral as they had believed (or hoped).

The Russia-Ukraine conflict in early 2022 exacerbate the inflation phenomenon and global inflation reached 8.7% in 2022. However, the GIS was not a unform phenomenon. Asian economies, such as China and Japan, saw mild inflation increases (1 and 2.7 percentage points, respectively) from a low initial point in 2021.

Persistent inflation eventually forced central banks to undertake large interest rate increases to combat inflation. This has been especially true for the US Federal Reserve (Fed), European Central Bank (ECB), and Bank of England, all of which have flexible exchange rates and whose primary goal of monetary policy is price stability. As inflation targeters, these central banks have a targeted inflation rate of 2%, yet monthly

inflation had peaked at 8.9%, 10.6%, and 11.1%, respectively in 2022. As such, these central banks ratcheted up their key (overnight) lending rates from near zero at the beginning of 2022 to over 4% for the USA, 3% for the UK, and 2.5% for the Euro Area. Markets expect these rates to continue to rise in the 2023 and to climax at over 5% in the case of the US Fed.

The rising interest rate environment will put a damper on the global economy. It is expected that many of the major western economies (USA, Euro Area, UK) will succumb to recessions in 2023. Regardless of if they meet the standard for a (technical) recession, they are all expected to have a tough year ahead. Although a technical recession is unlikely for Asia and other notable emerging economies, they will nevertheless

These events cascaded down to Abu Dhabi. Notably, Abu Dhabi was also impacted by the GIS. Inflation at the start of the 2022 was just 2.1% but climbed to 9.6% by July. The principal driver of this price increase was due to rising energy costs. The transport component of the local CPI experienced significant hikes, where the monthly increase in July 2022 was 51.8% and its contribution was 75.7%, while the monthly increase for the food & beverage component was 10.1% contributed 12.5% in July 2022. Inflation had fallen to 3.1% by Jan 2023 while the CBUAE rate was 4% (aligned with the US Fed).

Nevertheless, the overall economic picture in Abu Dhabi

last year was positive. The overall economy grew 9.3%, powered by a both the oil (10.2%) and non-oil (8.4%) sectors. All of the sectors of the economy grew last year, but the standouts were real estate (17.1%) and health & social (16.6%). In dirham terms, the biggest (non-oil) gainer was manufacturing (+8 billion dirhams). The tourism & hospitality sector saw strong growth but remain below pre-Covid levels on metrics such as hotel guests (4.1mn), occupancy rate (70%), and average length of stay (3.0 days). 2022 was also a buoyant year for the Abu Dhabi Stock Market, with the ADX index at an all-time high and market capitalisation reaching 2.7 trillion dirhams, making the ADX the second largest bourse in the region.

Notwithstanding the cooling off of the overall economy in the latter half of 2022, Abu Dhabi has seen strong growth in trade volumes through the ports of Abu Dhabi throughout the year.

The outlook for Abu Dhabi in 2023 is of a general slowdown, in congruence with global conditions. Higher interest rates will continue to put downward pressure on the economy, although we expect the economy will continue to grow, with expected growth of 1.6% in 2023 and 3.3% in 2024. Nevertheless, a quick change of the economic tides has Abu Dhabi now seeing strong disinflationary or even deflationary pressure in 2023.





Global Economic Scene

In 2022, the global economy faced critical challenges causing headwinds to global growth trajectory. After a remarkable recovery of more than 6% in 2021, the IMF World Economic Outlook estimated global economy growth at 3.4% in 2022, and it is projected to decelerate to 2.8% in 2023.

Apart from the global financial crisis of 2008 and the severe consequences in 2020 due to the Covid-19 Pandemic, 2022 performance marked the weakest growth profile since 2001.





2021-2023 Global Growth Rate

Indeed, three major lasting factors have shaped the economic scene in 2022, namely: the Russian-Ukrainian war, continuing and widening inflation pressures triggering a cost-of-living crisis and the slowdown in China.

First, The Russian-Ukrainian war affected global economy significantly. Aside from the humanitarian and social implications, the war severely destabilized global energy markets with very painful consequences on the European arena, due to the cut in Russian gas supplies leading to rising cost of living and remarkable disruption across Europe's economic activity (In 2021, Russia secured 40%

of Europe natural gas needs).

On the other hand, with both Russia and Ukraine accounting for significant share of world's food basket; 30% of global wheat trade, 17% of global maize trade and more than 70% of global sunflower oil trade, the war has triggered global food supply challenges, raising key concerns on global food security, which was already weakened due to the dual effect of climate change and the Covid-19 pandemic. In 2022, the FAO Food Price Index hit an all time high, causing serious hardships for low-income households and other vulnerable groups world-wide.





Source: IMF WEO April 2023

Second, owing to the surge in oil prices and rising energy costs, inflationary pressures were highly evident. In March 2022 the daily price of crude reached to its highest level in the year, at \$133.18 per barrel.

Therefore, amid theses severe inflationary pressures, central banks across many parts of the world have followed tighter global monetary and financial conditions in 2022 to curb prices hikes, which affected consumption, investment and raising the cost of finance.

Indeed, inflation in 2022 has witnessed record high rates reaching 8.7%. Along 2022, the US Federal Reserve has raised interest rates 7 times to end the year (Dec-2022) between 4.25%-4.5% compared with nearly zero percent in the first quarter.

Third, given China's considerable importance to global

economy (the second largest economy), the zero Covid policy had significant impact on economic activity in China due to several lockdowns especially during the second half of 2022. Moreover, weakening government support measures to the property sector (20% of economic activity in China) derailed overall economic impulse across China. Certainly, China's 2022 economic growth marked one of the worst on record.





Source: Food and Agriculture Organization of The United Nations (FAO)



Figure 3: 2005-2022 China's GDP growth Rate (%)



Source: IMF WEO April 2023



Gross Domestic Product (GDP)

According to the latest International Monetary Fund estimates, the global economy grew by an estimated 3.4% in 2022, and is projected to fall to 2.8% in 2023, then rise to 3.0% in 2024.

In 2022, Most of the world's countries witnessed a remarkable slowdown in their economic growth amid the cost-of-living crisis.

China's economy slowed sharply in 2022, as the growth slumped to one of its worst on record in nearly half a century, where it recorded 3.0%. The U.S economy slowed but still stronger than expected, as the GDP grew to 2.1%, reflected the rebound in the second half of the year, amid increased consumer spending, abundant job opportunities, and decreased unemployment to its lowest levels.

Figure 4: 2021-2022 Global and Major Economies Growth Rate (%)



Source: IMF WEO April 2023

India economy grew by 6.8%, while economic growth in the Euro Area slowed to 3.5%. Japan posted an economic growth of about 1.1% in 2022.

325.69

Regional Economic Scene

Unlike global economy trajectory, the economy in the MENA region rebounded by an estimated 5.3% in 2022, compared with 4.3% in 2021, benefiting from the oil price boom that followed the war in Ukraine. However, economies of the region witnessed uneven growth, where the growth accelerated in oil-exporting economies from 3.2 in 2021 to an estimated 6.1% in 2022. On the other hand, oil-importing economies grappled with the dual shock of high oil and high food prices posing very little growth from 4.2 in 2021 to an estimated 4.9% in 2022.

The economic growth rate in the GCC region has more than doubled in 2022, outpacing the rest of the region and the world average supported by higher energy prices and sound economic infrastructure, offering governments across the region fiscal headway to maintain aggregate demand through spending.

The UAE achieved 7.4% economic growth in 2022, led by rising oil production in line with the OPEC+ production agreements (In 2022

Figure 5: 2021- 2022 Regional Growth Rate (%)



Source: IMF WEO April 2023

Note: GCC data is from IMF REO of the Middle East and Central Asia, May 2023

,UAE hydrocarbon GDP is estimated to have grown by 10%). In addition to the strong rebound in domestic activity as the economy has quickly recovered the impact of Covid-19 pandemic. The CBUAE estimated UAE non-oil GDP growth for 2022 at 6.6%.



Inflation

2022 has been a year of extreme inflation. Almost every country in the world has suffered from soaring prices. Combined factors fueled increases in headline inflation, on top of which comes The Russian-Ukrainian war which contributed to shortages of key commodities and led to higher energy and food prices. In addition, the uneven recovery from the pandemic along with bottlenecks in global supply chains contributed to the high level of global inflation.

The global average annual CPI inflation peaked at 8.7% in 2022, the highest global inflation rate since 1996. And it's expected to fall to almost 7.0% in 2023 and 4.9% in 2024, still above prepandemic levels.

Inflation has increased in the advanced economies, as well as in emerging markets and developing economies, reaching 7.3% and 9.8% respectively in 2022.

U.S inflation accelerated to its highest level in 40 years, as it reached 8.0% in 2022, driven by jumps in the prices of gasoline, food, rent and most other goods and services.

Although price pressures have increased, inflation in China remains low in comparison to other large economies, as the Inflation reached 1.9% in 2022, benefiting from the recovery of supply chains, stabilization of commodities and energy prices, along with the weak domestic consumption growth.

Inflation in India grew to 6.7% in 2022, driven by a weaker rupee which led to higher import costs, as well as increasing household consumption. In the Euro Area and Japan, inflation rate grew to 8.4% and 2.5%, respectively, largely due to the rising energy prices associated with The Russian-Ukrainian war.

Figure 6: 2021-2022 Global and Major Economies Inflation Rate (%)



Source: IMF WEO April 2023

Consumer prices rose 14.8% in the MENA region in 2022, while in the GCC economies it remained lower than the global average, driven by fuel subsidies and fixed exchange rates.



Source: IMF WEO April 2023 (MENA & UAE)

Note: GCC data is from IMF REO of the Middle East and Central Asia, May 2023



Unemployment

According to the "World Employment and Social Outlook: Trends 2023" report issued by the International Labor Organization (ILO), in 2022 global unemployment declined significantl, from 235 million in 2020 dropped to 205 million. However, it is still above pre-pandemic (2019 level) by 13 million.

The unemployment rate decreased to 5.8% globally, compared with 6.2% in 2021, still above pre-pandemic levels. Across country groups, low-income & lower-middle countries still posing unemployment rates above pre-pandemic level, while middle-income countries recovered pre-pandemic level at 6%. On the other hand, high-income countries witnessed remarkable improvement in lowering unemployment, presenting 4.5% in 2022 (below global average) compared with 4.8% in 2019.

The annual unemployment rates for the major economies in 2022 ranged from a low of 2.6% in Japan to 6.8% in the Euro Area.

The unemployment rate in the MENA region in 2022 decreased marginally to 9.6%, the value is still 0.3 percentage points higher than its 2019 (pre-covid) level.

For the GCC and the UAE, the unemployment rate declined last year to 4.0% and 2.8%, respectively (from 4.7% and 3.1% respectively).



Figure 8: 2021-2022 Global and Major Economies Unemployment Rate (%)

It's worth mentioning that the GCC countries are committing to the notion of transitioning to a green economy, which means that there are great opportunities to stimulate the creation of job opportunities for youth through increasing the demand for workers and skills in green investment.

Meanwhile, UAE is implementing several reforms that target to improve the labor market, such as launching the mandatory unemployment Insurance scheme for local and foreign workers in May 2022 (to take effect in 2023). The scheme aims to attract and retain talent and provide social protection while enhancing competitiveness in the labor market.



Source: IMF WEO April 2023

Note: World data is from ILO, World Employment and Social Outlook Trends 2023 report India data is not available.

Figure 9: 2019-2022 Regional Unemployment Rate (%)



Source: ILO, World Employment and Social Outlook Trends 2023 report (GCC) World Bank (MENA & UAE)

Merchandise trade reached new heights in 2022 reaching \$25.3 trillion, Fuel trade was the fastest growing sector, with a growth rate of 61% compared to 2021.



Trade

According to the Global Trade Outlook and Statistics report

Fuel trade was the fastest growing sector in 2022, with

Across the various traded goods categories, 2022 trade enhanced demand.

Accounting for 14.4% of global exports, China ranked as the growth rate of 7.0% compared to 2021. On the other hand, U.S.

Figure 10: 2022 Global and Major Economies Y-o-Y Growth Rate in goods Exports and Imports (%)



Source: World Trade organization (WTO), Global Trade Outlook and Statistics report – April 2023

At the regional level, the UAE ranked first in the Middle East and Africa in goods exports and imports in 2022, accounting for 2.4% of global exports and 1.7% of global imports.

Notably, the UAE ranked 11th globally in the export of goods in 2022, with a total value of \$599 billion, representing a growth rate of 41% compared with 2021. In terms of merchandise imports, the UAE ranked 18th globally, with a total value of \$425 billion, representing a growth rate of 22% compared with the previous year. Accordingly, UAE enjoyed a trade surplus of \$174 billion in 2022 reflecting the leading position among regional and international trade landscape, thanks to sound foreign trade infrastructure joined with very supportive policies and initiative to enhance the country's trade competitiveness.

Monetary Policy

In 2022, Central banks across major economies had tightened monetary policy in response to high inflation levels. The United States announced seven rate hikes in 2022 and closed the year at a rate of 4.5%, its highest level in 15 years.

In China, due to renewed Covid lockdowns, People's Bank of China cut the interest rate in 2022 to stay at 3.65%. The Euro Area, Japan, and India closed the year with rates at 2.5%, -0.1%, and 6.25%, respectively.

Figure 11: Major Economies Central Bank Interest Rates as of End-2022 (%)



Source: PBC, ECB, RBI, BOJ, Federal Reserve

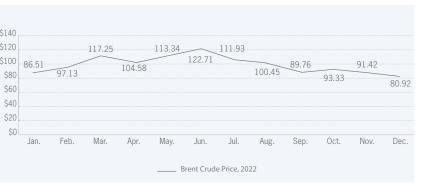
Oil:

The effective price of Brent crude in 2022 was \$100.93 per barrel compared with a price of \$70.86 in 2021, this represents a \$30.07 (42.4%) increase in the price. Brent finished 2022 at \$80.92.

Figure 12 below shows the monthly price of Brent crude. Along 2022, the Brent price rose significantly in the first half of the year, but generally declined in the second half. The increase in the first half of the year was driven by The Russian-Ukrainian war, as well as the low global crude oil inventories due to withdrawals from storage to meet the increasing demand. It is worth noting that the global demand for oil largely increased and returned to pre-pandemic levels after the easing of pandemic-related restrictions.

During the second half of the year, rising inflation rates joined with global wide tightening monetary and financial conditions had lowered consumption and reduced demand for oil affecting oil prices. Also, the resurgence of COVID-19 in China mainly contributed to lower global oil demand.

Figure 12: 2022 Monthly Brent Crude Price (\$/bbl)



Source: EIA, IMF

issued by The World Trade organization in April 2023, global merchandise trade reached new heights in 2022 reaching \$25.3 trillion, recording a growth rate of 12% compared to 2021, and 32% compared to its pre-pandemic level in 2019.

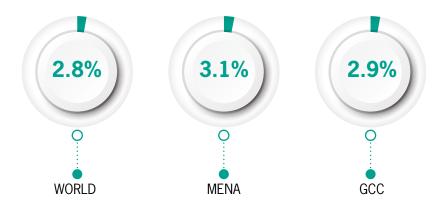
a growth rate of 61% compared to 2021, due to the sharp increase in energy prices.

value exceeded pre-pandemic levels (except for Automotive products), reflecting clear signs of global trade recovery and

world's largest goods exporter in 2022 (\$3.6 trillion) posing a ranked as the largest goods importer in the same year with a total of \$3.4 trillion and a growth rate of 15.0% compared to the previous year, accounting for 13.2% of global imports.

GLOBAL & REGIONAL ECONOMIC OUTLOOK

Cooling inflationary pressures and steady growth paths are indicating hesitating signals that the world economy could achieve a soft landing in 2023 avoiding further deterioration. Although key factors affected the global economy in 2022 still in place, but there is a notable change in their strength in 2023. Fiscal policy tools fall short of being used against emerging challenges, as policymakers are constrained with high debt levels. The continuity of the war is yet threatening the moderation in commodity prices. Additionally, rising geopolitical tensions might further promote fragmentation causing output losses and adverse impact on global trade and foreign investment flows.



2023 Global and Regional Economies Growth Rate

Gross Domestic Product (GDP)

The world economy growth is expected to slow to 2.8% in 2023, while the MENA region is set to grow by 3.1%. Growth for the GCC is expected to be 2.9%, which represents a much lower rate than the previous year (at 7.7%).

Among the major economies, India is expected to lead with growth of 5.9% (compared to 6.8% in 2022). Euro Area is the laggard in the group with an expected growth rate of 0.8% (compared with 3.5% in the previous year). United States and Japan is expected to rise by 1.6% and 1.3%, respectively, compared with 2.1% and 1.1% in 2022. China is expected to see growth of 5.2%, which is 2.3% upper than 2022 rate reflecting the re-opening after a long period of lockdown.

MENA growth in 2023 is expected to be 3.1% compared with 5.3% in 2022. GCC growth is expected to come in at 2.9% this year, compared with 7.7% in 2022, and growth in the UAE is expected to come in at 3.5% compared with 7.4% in 2022.

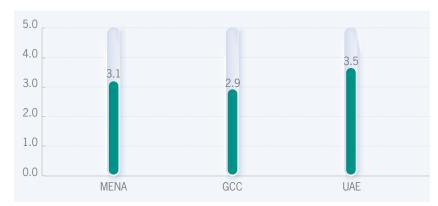


Figure 13: 2023 Global and Major Economies Growth Rate (%)



Source: IMF WEO April 2023

Figure 14: 2023 Regional Economies Growth Rate (%)



Source: IMF WEO April 2023

Note: GCC data is from IMF REO of the Middle East and Central Asia, May 2023





Inflation:

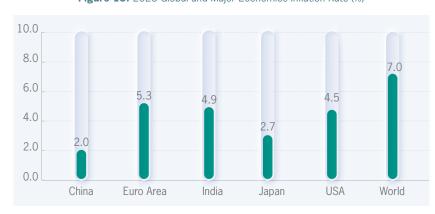
After a year in which the world witnessed notable inflation rates, prices are expected to ease, and the global inflation rate is expected to decline to 7.0% in 2023.

Inflation is projected to cool in 2023 and 2024, with advanced economies seeing faster disinflation. However, shocks to energy and food prices, geopolitical conflicts, currency depreciation, and extreme weather events could delay the moderation of inflation rates. Inflation excluding food and energy is expected to decline gradually in 2023, despite the

stickiness of underlying inflation. Global headline inflation is expected to decline from 8.7%in 2022 to 7.0%in 2023, with 76% of economies experiencing lower inflation.

In the Euro area, despite increased policy rates, It is projected for the inflation to reach 5.3% in 2023. While inflation in the MENA region is expected to remain unchanged at 14.8% in 2023 and to decline to about 11% in 2024. However, in the GCC, headline inflation is expected to drop from 3.3% in 2022 to 2.9% in 2023 and 2.3%in 2024.

Figure 15: 2023 Global and Major Economies Inflation Rate (%)



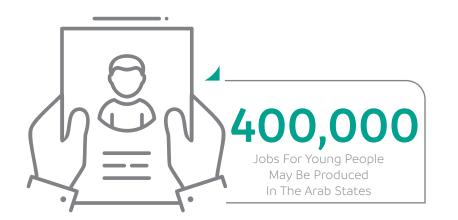
Source: IMF WEO April 2023

Figure 16: 2023 Regional Inflation Rate (%)



Source: IMF WEO April 20223

Note: GCC data is from IMF REO of the Middle East and Central Asia, May 2023



Unemployment:

Due to inflation and current events in Ukraine, the employment picture for 2023 is still unstable and uncertain. According to ILO world employment report there will be 208 million unemployed people worldwide by 2023, an increase of about 3 million. Despite the unfavorable forecast for the world economy, just a slight rise in unemployment is predicted.

The prediction for the unemployment rate in 2023 varies greatly by region, with unemployment rates in Africa and the Arab States anticipated to drop from 7.4% to 7.3% in Africa and from 8.5% to 8.2% in the Arab States. Green investments have the potential to encourage the creation of jobs for young people; simulations indicate that over 400,000 jobs for young people may be produced in the Arab States, but fewer than 10% of these jobs would be for young women.

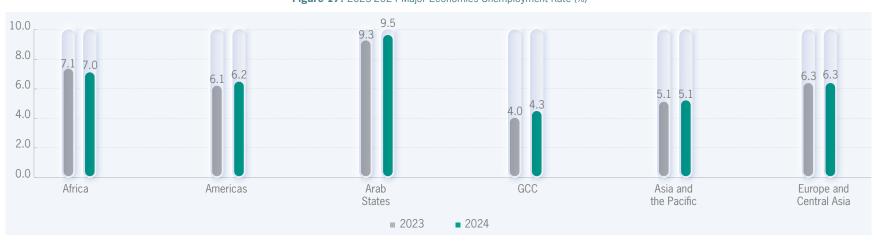
Over the next two years, it is anticipated that the unemployment rates and levels in Latin America and the Caribbean will not change. North America Job growth will slow



down in the upcoming years, and unemployment rates are predicted to rise gradually during the next decade.

With employment expected to shrink in 2023, Europe and Central Asia are expected to be particularly badly hit by the economic effects of the Ukraine crisis. By 2024, the unemployment rate is projected to rise little in Northern, Southern, and Western Europe to 6.6%, while it is projected to rise somewhat in Eastern Europe to 5.0%. And it is anticipated that the unemployment rate in Central and Western Asia would slightly rise to 7.8%.





Source: ILO World Employment and Social Outlook Trends 2023 report



Abu Dhabi Economy

Following a notable economic recovery in 2021, Abu Dhabi's economy maintained growth momentum in 2022 posing strong resilience against key regional and global dynamics. Indeed, the overall economy reached record high level in 2022 (AED 1,108 Bn), recording 9.3% real growth rate marking Abu Dhabi as the fastest-growing economy across the Middle East region. Both oil and non-oil activities expanded considerably last year, where oil activities accelerated by more than 10% after three years of declines, whereas non-oil activities were boosted by an exceptional performance not seen since 2016, indicating 8.4% real growth rate in 2022.

Abu Dhabi's robust economic infrastructure and timely conducive policies has laid the foundation for fostering a business-supportive environment offering an ideal approach for public-private partnerships, as well as favorable framework for foreign investments and international partners. All sectors experienced positives growth rates in 2022, while as the UAE's capital is observing the rise of the "Falcon Economy" the way ahead holds very promising prospects, reaffirming Abu Dhabi superiority for living, investment and thriving.



In 2022, Abu Dhabi's GDP maintained momentum, growing by 9.3%. The oil sector expanded by 10.2%, while the non-oil sector sprinted by 8.4%. Abu Dhabi was the highest growing economy in the Middle East



Abu Dhabi's Real Gross Domestic Product (GDP) (Oil & Non-Oil)

Oil Gross Domestic Product (GDP):

The global oil market was volatile in 2022, as global supply struggled to keep pace with demand. In the first half of 2022, uncertainty over Western sanctions on Russia oil export affects global market oil supply. In addition to lower world oil inventory to meet demand of growing economic activities after pandemic-related restrictions eased causing oil prices increase. In the second half of 2022, the oil price decreased as concerns about a possible economic recession along with China's COVID-19 containment measures reduced global petroleum demand. The value of the OPEC Reference Basket (ORB) rose substantially in 2022 by \$30.91, or 44.2%, on average, compared with 2021, to settle at \$100.8 per barrel (\$/b), reaching its highest level since 2014.



Figure 18: Average quarterly and yearly spot prices for OPEC Reference Basket (\$/b)



Source: OPEC Data

Abu Dhabi's oil GDP managed to increase its total output in 2022, ending the year at 10.2% compared with -0.1% in 2021. Moreover, mining & quarrying activities contribution to overall GDP reached 50% at the end of 2022. The improvement in oil GDP was largely due to the rising economic activity after pandemic-related restrictions eased. OPEC data shows that UAE oil production increased by 12.4% in 2022, well above OPEC average increase 9.5%.





UAE Oil Production Increase In 2022



Non-Oil Gross Domestic Product (GDP):

Benefiting from positive effects of post-pandemic rebound, generated revenues from higher oil prices and the spillover gains of the FIFA World Cup, entire GCC non-oil activities maintained growth momentum in 2022, achieving 5.3% following 5.1% in 2021. Nationally, UAE's strong domestic demand joined with notable boost among tourism, trade and transportation sectors have collectively aided non-oil activities to sustain upward growth path in 2022, ending the year at 6.5% following 5.8% in 2021.

In the meantime, Abu Dhabi's strong economic foundation complemented with collaborative approach from the public and private sectors contributed to the emirate's progress in 2022. Indeed, Abu Dhabi's advanced economic diversification policies, expanded participation from the private sector and enhanced human capital investments have jointly facilitated an extraordinary growth in the emirate's non-oil GDP. In 2022, non-oil activities reached recordhigh level at AED 554.6 Bn, accelerating by the fastest growing rate since 2016 (8.4%). Currently, non-oil GDP is contributing by

50% to overall GDP, while as the rise of the "Falcon Economy" is progressively getting materialized, non-oil activities are set to lead in upcoming years.

All non-oil economic activities achieved positive economic growth last year, with almost half of them witnessed more than 10% growth in 2022. Real estate activities lead growth rates among non-oil segment posing unprecedented performance in many years ago at 17.1%, which could be attributed to recent changes in residency visa systems including expanded Golden Visa scheme, the increase of projects and the interest of international companies to invest in Abu Dhabi. Health and social work activities increased by 16.6%, demonstrating efforts to strengthen the health system along with strengthen the role of the private sector. Accommodation and catering activities experienced a growth rate of 11.9% in 2022, strengthening Abu Dhabi's position as one of the most popular tourist destinations in the region, wholesale and retail trade activities increased by 11.6%, reflecting the growth of the local market.





Figure 19: 2018-2022 Abu Dhabi Oil & Non-Oil GDP Contributions to Total GDP (%)



Source: SCAD



Figure 20: 2018-2022 Abu Dhabi Oil & Non-Oil Y-o-Y Growth Rate (%)



Source: SCAD

Key Sectors



Construction:

Construction is the second largest contributor to Abu Dhabi's non-oil GDP. The sector accounted for nearly 8% of overall Abu Dhabi's GDP in 2022 (15.5% of non-oil GDP), making it the third largest contributor to Abu Dhabi's economy. Moreover, the sectors' activities continued to grow in 2022 by 7.6% compared to the previous year (4.2% in 2021). As the sector recovers from the pandemic effects there is growing focus on sustainable construction across GCC and entire MENA region, in line with global transition towards more low-carbon patterns to secure recovery and ensure long term growth. A recent UN report estimated that the construction industry accounted for 38% of the world's energy-related carbon emissions.

Sustainable construction goes far beyond the use of environmental friendly building materials during the construction phase. It is a comprehensive framework that extends to include all phases from design to operation passing through procurements, accounting for handling construction waste and incorporating both social and governance aspects. Having said that, it is worth noting that Abu Dhabi leads regionally enjoying several advantages of early movers via the launch of key initiatives (Estidama Pearl Rating System), adoption of supporting policies and partnering with leading players.

Central to Abu Dhabi's most recent sustainable construction profile, is the announcement in 2022 of the \$490 Mn Sustainable City Community in Yas Island, a fully sustainable community that will be guided by the pillars of sustainable construction; environmental, social and economic. The project joined with other similar developments validates Abu Dhabi's commitments towards the green transition in line with the UAE's Net Zero by 2050 Strategic Initiative.

Figure 21: Construction Sector GDP (AED mn) vs Growth (%)



Source: SCAD



Financial Services:

In 2022, financial services kept its growth, maintaining it contribution at 11% of Abu Dhabi's non-oil GDP. Considering its growing position among international investors and leading business leaders joined with the existence of some of the world's largest sovereign wealth funds, the UAE's capital is increasingly known as the "Capital of Capital". Having said that, Abu Dhabi's International Financial Center, ADGM, driven by its unique regulatory ecosystem, had facilitated and introduced key progressive initiatives last year, marking itself as the fastest growing IFC in the Middle East region in 2022 for the 4th consecutive year.

Indeed, aligning its strategic objectives with Abu Dhabi long term economic aspirations ADGM has enhanced its offerings across traditional and newly emerging financial segments, introducing key opportunities across digital banking, asset management, sustainable finance and fintech. Specifically, in line with global transition towards green sustainable finance and delivering on UAE's strategic initiative Net-Zero by 2050, ADGM in collaboration with key stakeholders achieved vital milestones to scale-up sustainable finance application in Abu Dhabi and unlock private investments toward climate-related projects. In 2022, ADGM was the world's first 'carbon-neutral' international financial center by offsetting its 2021 carbon emissions.





Source: SCAD



Education:

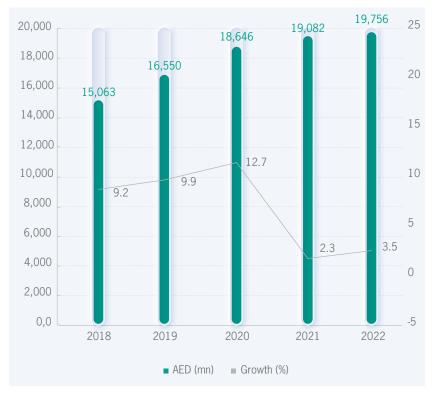
Regionally, Abu Dhabi enjoys one of the most competitive education sector across the GCC region. The Emirate is home to leading public and private academic institutions as well as branch campuses of top-ranking international universities. In line with a top government priority to create a diversified, knowledge-based economy, Abu Dhabi strongly seeks to equip future generations of students with technical and practical skills to strengthen the labor market. Central to the Emirate's most recent initiatives was the launch of AED 1.9 Bn Khotwa (RizeUp) scholarship programme in 2022.

The fully funded scholarship program is set to offer Emirati student ideal opportunities to study for two years at community colleges in the United States and Canada, with the ability to transfer their credit to any international or local university to complete their bachelor's degrees. Over the term 2022-2028, the landmark program will offer 6,000 Emirati students overseas experiences to study specialties that meet the needs of national high-priority sectors, while equipping students with high profile skills and enrich Abu Dhabi's national employment pool, playing

an active role in the in the transition toward knowledge-based economy.

Following its progressive development path, the education sector maintained its growth momentum in 2022, growing at 3.5% in real terms while increasing its contribution to non-oil GDP at 3.6%. Technology adoption, connectivity, and remote learning have enabled the sector to maintain its growth momentum and reap the benefits of emerging opportunities.

Figure 23: Education Sector GDP (AED mn) vs Growth (%)



Source: SCAD



Agriculture:

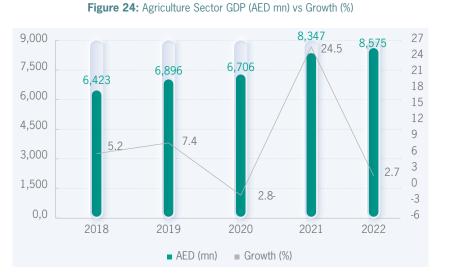
Food security is well-positioned among the top priorities of UAE's national agenda. As more than 80% of UAE food being imported, the UAE National Food Security Strategy plans that 50% of food consumed to be produced locally by 2051. Abu Dhabi is progressively placing Agri-Tech as a vital channel to improve locally produced food capacities and enhance self-sufficiency. Indeed, UAE and Abu Dhabi are among the world's list of top investors in Agri-Tech, while Abu Dhabi is increasingly validating its position as a leading regional and global Agri-Tech hub, with a patch of unrivalled incentives, high-profile partnerships, and competitive regulatory framework.

Delivering on the emirate's commitment of building an environment where Agri-Tech businesses can flourish, In early 2022 the Abu Dhabi Investment Office (ADIO) has kicked off the year with three new Innovation Programme partnerships. Currently, a total of 37 companies benefitting from ADIO's AED 2 Bn. Innovation Programme since its launch in 2020.

The Abu Dhabi Authority for Agriculture and Food Safety

has launched a strategic plan 2022-2025 to promote food security, modernize farming systems, improve farm productivity, and encourage farmers and livestock breeders to adopt best practices compatible with agricultural sustainability. This plan is characterized by diversity, professionalism, and efficiency to ensure the promotion of food security. The new strategy aims to increase agricultural sustainability to 66% and reduce groundwater use by 500 million cubic meters between 2022 and 2025.

Following an exceptional growth in 2021, The agricultural sector grew by 2.7% in 2022, contributing 2% of non-oil GDP. In 2022, the UAE went up 12 places along the Global Food Security Index (GFSI) for 2022, ranked first among the Middle East and North Africa (MENA) region, compared with third in 2021.



Source: SCAD



Healthcare:

In 2022, Abu Dhabi healthcare sector continued its progressive path to raise the benchmarks across the different healthcare segments to world-class levels to lead competences across the entire ecosystem. Central to the most notable achievements last year, was Pure Health, a UAE-based integrated healthcare solutions provider, acquisition of Abu Dhabi Health Services Company, better known as Seha, and the National Health Insurance Company, better known as Daman. The merge is set to create the largest healthcare provider in the UAE.

Overall, the Abu Dhabi healthcare sector marked another successful journey in 2022, growing at 16.6%, while strongly validating the Emirate's mounting position as a leading destination for advanced healthcare. Abu Dhabi has provided a distinguished model for responding to the pandemic and preserving community health and safety. The healthcare sector has demonstrated exceptional ability, flexibility, and readiness to respond to crises and challenges, while providing high-quality services using the latest technologies. Post-Covid-19 period reshaped the future of health care system through stressing the lessons learned from the pandemic and the experiences of

countries in confronting the epidemic.

As part of Abu Dhabi's efforts to cement its position as a hub for research and innovation in life sciences, In Dec. 2022, AstraZeneca, a science-led biopharmaceutical company, and G42 Healthcare, an Al-powered healthcare company, signed a strategic partnership agreement to locally manufacture innovative drugs in Abu Dhabi. The Abu Dhabi Department of Health (DOH) is increasingly leading transformative shift in the traditional healthcare paradigm in Abu Dhabi. It emphasizes preventive health, enhancing the use of advanced digital infrastructure, and expanding the scope of the Emirati Genome Program. The private sector is a strategic partner in the health sector, and the Abu Dhabi Department of Health provides the opportunity for foreign investors to own 100% according to certain conditions and controls.

Figure 25: Healthcare Sector GDP (AED mn) vs Growth (%)



Source: SCAD



ICT:

The communications & information technology sector is a key driver of economic diversification and development in many sectors. The Fourth Industrial Revolution has strengthened the sector's position and become an integral part of future-making strategies, such as the Internet of Things, the fifth generation, artificial intelligence, and intelligent transportation. In Abi Dhabi, Hub71 is one of the key players in the start-up ecosystem. Hub71 is supporting tech start-ups in Abu Dhabi, enabling economic diversification, and driving technological advancements. In 2022, Hub71 has raised a record amount of money raising more than AED 36.7 million in funding, with 51 companies onboard investing on

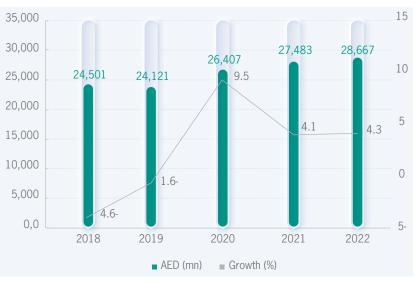
various emerging technology sub-sectors, such as Artificial Intelligence, Climate-Tech, FinTech, etc.

In 2022, Abu Dhabi's Hub71 and Etisalat Group enterprise have launched the region's first Al Center of Excellence (Al CoE), focusing on building and scaling Al solutions.

The step provides a platform for Al solutions to be built and scaled from Abu Dhabi. Considering the various resources and expertise offered by the Al Center of Excellence (Al CoE), key transformations are anticipated within the future of Al with vital spill over effects are expected on fostering local content and enriching the UAE's socio-economic growth.

Following an exceptional growth in 2021, The ICT sector grew by 4.3% in 2022, contributing 5.2% of non-oil GDP.





Source: SCAD



Manufacturing:

In 2022, the manufacturing sector witnessed a notably slowdown, as it registered a growth rate of 9.7% compared to 20.7% in the previous year. However, its contribution to the overall GDP remained stable at 8.2% in 2021 and 2022, also the sector retaining its leading position as the largest contributor to Abu Dhabi's non-oil GDP at 16.4%.

Delivering on its commitment to scale up the Emirate's manufacturing and strengthen the emirate's position as the region's most competitive industrial hub, ADDED launched the Abu Dhabi Industrial Strategy in June 2022, which aims to invest AED10 bn across six transformational programmes to more than double the size of Abu Dhabi's manufacturing sector to AED172 billion by 2031. The strategy will also create 13,600 skilled jobs and increase Abu Dhabi's non-oil exports by 143% to AED178.8 billion by 2031. The launch of the strategy has contributed to boost non-oil activities and push national exports to grow by 25% in 2022 compared to 2021.

Moreover, In September 2022, Abu Dhabi Ports Group launched "KEZAD Group", an integration of Khalifa Industrial Zone Abu Dhabi (KIZAD) and Specialised Economic Zones (ZonesCorp) into the newly formed KEZAD Group (Khalifa Economic Zones Abu Dhabi Group), which consists of 12 economic zones extending over an area of 550 square kilometers, including 100 square kilometers as a free zone.

"KEZAD Group" aims to consolidate and grow the emirate's Economic Cities and Free Zones offering, through providing more opportunities for investors and simplifying all stages of the supply chain related to their business, in addition to provide an integrated set of products and services for companies and investors at the local, regional, and international levels, which contributes to enhancing Abu Dhabi's position as a leading industrial destination in the region.

Figure 27: Manufacturing Sector GDP (AED mn) vs Growth (%)



Source: SCAD



Real Estate:

Principally, the real estate sector has been the largest recipient of FDI stock over the last decade; having acquired 31.0% of FDI stock through the end of 2022. The sector accounts for almost 3.3% of Abu Dhabi's overall GDP (6.6% of non-oil GDP). Also, the real estate sector was the most growing sector in 2022, as it recorded a growth rate of 17.1% (after a decline of 23% in 2020 and 0.3% in 2021).

In 2022, The real estate sector in Abu Dhabi saw significant growth and outstanding performance, benefited significantly from applying a series of government policies, procedures and initiatives that contributed to achieving this improvement, including delivered of 11 new projects in Abu Dhabi (almost 1,600 apartments) during the last three months of the year, the highest number since the beginning of the pandemic. Laws and legislations also played a major role in revitalizing and supporting the sector by granting Golden Residency Visa

to foreign investors and their families, which encouraged them to buy and own real estates in Abu Dhabi. Moreover, Abu Dhabi announced seven new real estate investment areas for 2022, which allow foreign investors to own real estate, thus constituting a qualitative addition to the total investment zones in the emirate, to reach 25 real estate investment zones by the end of 2022.

Official records showed that 19,033 real estate transactions worth a total value of AED 77.6 billion were recorded in Abu Dhabi in 2022 (the number of transactions grew by 27.2% while the value rose by 8.5% compared to 2021).

Yas Island topped the list of best performing areas (AED4.2 BN transactions), followed by Reem Island (AED3.4 BN) and Saadiyat Island (AED3.1 BN).

Figure 28: Real Estate Sector GDP (AED mn) vs Growth (%)



Source: SCAD

ABU DHABI ANNUAL ECONOMIC REPORT - 2022 ABU DHABI ECONOMY



Tourism:

Abu Dhabi has always paid great attention to the tourism sector as one of the most important growth accelerators and one of the pillars of sustainable economic diversification plans in the emirate.

Accommodation and food service activities (the backbone of the tourism industry) recorded a remarkable development in 2022, as activities surged by 8% compared to 5.6% in 2021. Moreover, some tourism-related sectors including retail trade and education, exhibited a good performance in 2022, inducing the development of the tourism industry.

Several events in the region, including Formula 1 event in Abu Dhabi and the FIFA World Cup in Oatar, helped hotel establishments achieve outstanding performance in 2022, as Abu Dhabi hotels hosted a total of 4.1 million guests, an increase of 24% compared to 2021. The hotels occupancy rates exceeded 71.1%, which surpasses the Middle East average of 67%.

To enhance the tourism sector in the emirate, department of Culture and Tourism - Abu Dhabi (DCT) seeks to attract more than 24 million visitors by 2023, by offering unique and attractive tourism experiences and a variety of events and initiatives for local and international visitors, as

well as organizing meetings, conferences, and exhibitions. Moreover, DCT and Miral (Abu Dhabi's leading creator of destinations and experiences), have revealed Saadiyat Island's new vision, strategy and brand, which aims to improve and promote the island as a nature and cultural destination, as well as increase domestic, regional, and global visitors, along with supporting Abu Dhabi's tourism ecosystem, and to enhances the diversification of Abu Dhabi's economy.

Abu Dhabi National Exhibition Centre (ADNEC) Group also played a major role in advancing Abu Dhabi's economy in both business and leisure tourism sectors, as it achieved record performance in 2022 after launching its new corporate identity, which includes 6 main business sectors (exhibition and conference centers, event organizing, hospitality and food, event services, hotels, and leisure tourism). The group aims to expand its scope of work to cover new sectors and geographic regions in the Middle East and Europe, this will contribute to enhance Abu Dhabi's leading position on the global map.

Figure 29: Accommodation and food services Sector GDP (AED mn) vs Growth (%)



Inflation:

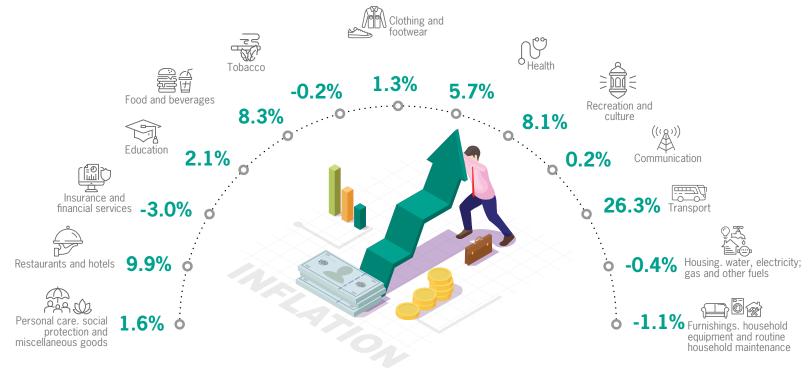
Source: SCAD

The year 2022 witnessed a strong rise in imported inflation due to the global geopolitical crises linked to the war in Ukraine and its repercussions on commodity prices, especially energy. Abu Dhabi's price levels picked up in 2022 to their highest level since 2009. The consumer price index (CPI) reached 105.6 in 2022 compared with 100 in 2021, recording an average annual inflation rate of 5.6%.

Despite the slight decrease in rents during the second half of 2022 (-0.5% in Q3 and -1.0% in Q4 according to the central Bank quarterly reports), the housing group (including utilities) which

accounts for more than 32% of Abu Dhabi's consumer basket. witnessed relative price stability—as it takes time for rent price movements to feed into the CPI. The most significant increase in the consumer basket was in the transportation group, which accounts for the second largest weight (13.8%). The CPI for the transportation group rose from 100 in 2021 to 126.3 in 2022. marking an annual increase of 26.3%. This was influenced by the surge in fuel prices resulted from The Russian-Ukrainian war, coupled with the supply chain interruptions.

Figure 30: 2022 Abu Dhabi Inflation Rate by CPI Component (%) (2021=100)



2022 Abu Dhabi Inflation Rate by CPI Component (%) (2021=100)



Foreign Trade:

In 2022, Abu Dhabi's overall non-oil foreign trade increased by 16%, reaching AED 260,434 million. Several signs of recovery were signaled by the three principal channels of trade in 2022, where exports maintained its growing momentum posting a 25.0% growth rate. Moreover, Abu Dhabi's re-exports restored their growth to 4% in 2022, reemphasizing the rising position of Abu Dhabi as a leading trade hub. The Emirate's imports recovered as well, recording a 13% growth rate. This can largely be attributed to the improvement in local industrial demand, as well as the recovery in local consumer demand.

The Arab countries are the leading destination of Abu Dhabi's non-oil total exports at 55.6%. Saudi Arabia is the major trading partner across the three channels of trade, absorbing 26% of exports (33.0% in 2021), and 35.6% of re-exports (31.7% 2021), while originating 13.6% of Abu Dhabi's imports (14.4% in 2021). Asia region come in the second place with a share of 15.6% of the Emirate's total non-oil exports, followed by the European Free Trade Association (EFTA) with 13.2% share of total non-oil export. The breakdown of the Emirate's trade by mode of shipping

shows that land freight is the dominant mode of shipping as it relates to total exports, contributing 43.6% in 2022 (45% in 2019), while sea freight is the prevailing mode of shipping on the import side, with a 51.7% share in 2022 (55% in 2019).

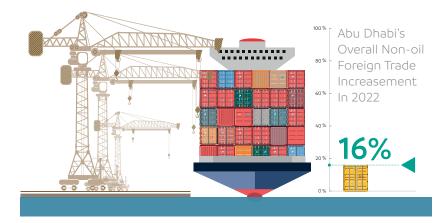
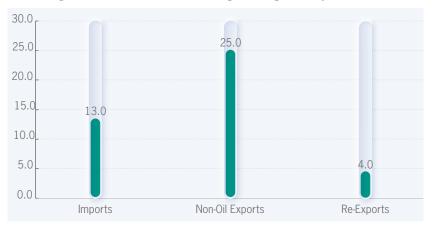


Figure 31: 2022 Abu Dhabi Y-o-Y Change in Foreign Trade by Channel (%)



Source: SCAD (data excludes trade in arms & ammunition)



Business Licenses

There are six types of business licenses in Abu Dhabi:

- 1. Crafts 2. Tourism 3. Business 4. Industrial 5. Professional
- 6. Agriculture and Fish and Animal Wealth

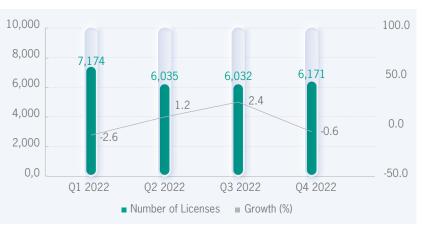
The 'Business Activity Report' for the year 2022, issued by the Abu Dhabi Business Center, part of the Abu Dhabi Department of Economic Development (ADDED), reaffirms the vitality of the business sector in Abu Dhabi in a year characterized by challenges at the international level. In 2022, the Abu Dhabi Business Centre (ADBC) has launched initiatives to enhance business ecosystem and ensure best conditions for investors to grow and thrive while protecting rights of consumers and intellectual property. Abu Dhabi Expanded 'Tajer Abu Dhabi' license, enabling mSMEs to obtain trade licenses without physical locations or commercial space rent, adding 126 new activities for three-year ease of doing business. Additionally, ADDED grants one-year lease exemption to 1200 economic activities, aiming to enhance Abu Dhabi's competitiveness and investment status.

Furthermore, the Abu Dhabi Judicial Department (ADJD) has launched a consumer dispute resolution service to expedite settlement of disputes between consumers and commercial

establishments in the Emirate of Abu Dhabi.

Moreover, Abu Dhabi Competitiveness Office (COAD) has launched "Abu Dhabi Innovates," a framework to improve the innovation ecosystem in the Emirate. The framework targets talent management, technical talent, entrepreneurial company experience, and technology and innovation capabilities. Funding is an integral part of the framework, where it sets the appropriate policies facilitating capital flow to innovation driven enterprises throughout their life cycles, including government grants, bank loans, venture capital, crowdfunding, and business/investor angels. The number of business licenses issued in 2022 slightly decreased, from 25,427 in 2021 to 25,412 in 2022. New license issuance was highest in March 2022 and lowest in May 2022. The bulk of licenses (93.6%) are for Business licenses while agricultural licenses account for the lowest share (0.1%).

Figure 32: 2022 Quarterly Abu Dhabi Issued Commercial Licenses (#) vs Y-o-Y Growth (%)



Source: ADDED

ABU DHABI ECONOMIC OUTLOOK

Overall Gross Domestic Product (GDP)

Following OPEC+ production cut announcements in April and June 2023, economic growth forecast for the GCC has been revised down. Compared with an outstanding performance in 2022 (7.3%), the World Bank recent update is predicting that the GCC GDP growth would slow down at 2.5% in 2023 before growing by 3.2% in 2024.

Similarly, rising geopolitical uncertainties, sluggish global economy activities and tightening monetary policy joined with OPEC+ decision to maintain production cut targets for 2023, have collectively downgraded economic growth forecasts for the entire Middle East and Central Asia region, where the IMF most recent World Economic Outlook Update has reduced growth projection for the region at 2.5% in 2023 and 3.2% in 2024 compared with 5.4% in 2022.

Accordingly, ADDED forecasting team is expecting Abu Dhabi economy to slow-down in 2023 to mark a 1.6% growth rate and 3.3% in 2024, which is mainly attributed to the reduction in oil production as per OPEC+ production cuts. The compound annual growth rate (CAGR) for the term (2023-2027) is predicted to record 2.9%.

The economic outlook for Abu Dhabi continues to be positive, benefiting from continuing diversification efforts and accelerating non-oil activities backed by sound economic infrastructure, competitive regulatory systems, dynamic reforms and timely responsive policies & initiatives.

Figure 33: Abu Dhabi Overall Real GDP Forecasts (2023-2027)



Source: ADDED Macroeconomic Model, 2023

Figure 34: Abu Dhabi Overall Real GDP Growth Forecasts (2023-2024)

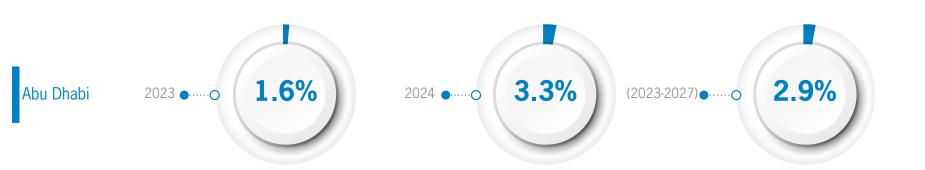


Source: ADDED Macroeconomic Model, 2023

GDP Growth (%)







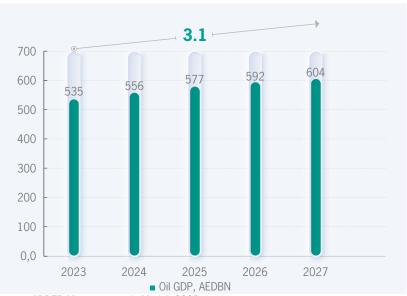


Oil Gross Domestic Product (GDP)

Following a record high growth in 2022 (10.2%), Abu Dhabi's Oil output showed a significant slow-down in Q1 2023 (1.6%) Y-o-Y, as UAE oil production slightly increased by 3% in Q1 2023 compared with a remarkable growth of more than 13% in Q1 2022, but on Q-o-Q basis UAE oil production declined 1.6% in line with the OPEC+ announcement to cut oil production.

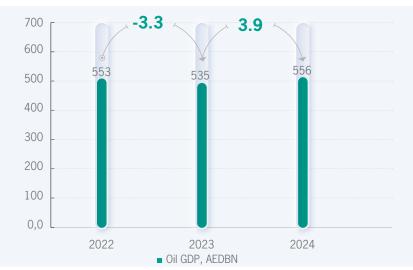
It is worth noting that in March 2023, the OPEC Reference Basket value fell to its lowest value since January 2022, recording a decline of 4.2% (\$3.43/bbl) compared to the previous month. This was impacted by rising US crude oil inventories along with macroeconomic events that contributed to market volatility. Accordingly, ADDED forecasting team is predicting that falling oil production across 2023 will cause oil GDP to contract by -3.3% in 2023 before recovering by 3.9% in 2024.

Figure 35: Abu Dhabi Real Oil GDP Forecasts (2023-2027)



Source: ADDED Macroeconomic Model, 2023

Figure 36: Abu Dhabi Real Oil GDP Growth Forecasts (2023-2024)



Source: ADDED Macroeconomic Model. 2023

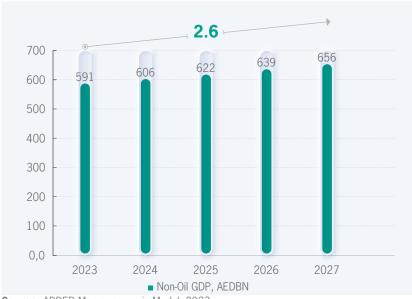


Non-Oil Gross Domestic Product (GDP)

The non-oil sector witnessed an exceptional growth in 2022 of 8.4% (the highest since 2016), while the better-than-expected strong performance in Q1 2023 (6.1%) has upgraded expectations for the sector trajectory in 2023. Indeed, in Q1 2023, the non-oil segment benefited from significant acceleration among key economic sectors, including an expansion of 14.4% in the construction activities, a positive momentum of 14% within the wholesale & retail trade sector and a remarkable increase of 14.5% in the Accommodation & food services.

In line with ongoing diversification initiatives, and as the economy is well positioned to continue reaping the emerging opportunities of the newly orchestrated "Falcon Economy" ADDED forecasting team is expecting the current efforts joined with the government support to attract FDI would boost the non-oil economy by 6.7% in 2023, while the CAGR over the period 2023-2027 is anticipated around 2.6%.

Figure 37: Abu Dhabi Real Non-Oil GDP Forecasts (2023-2027)

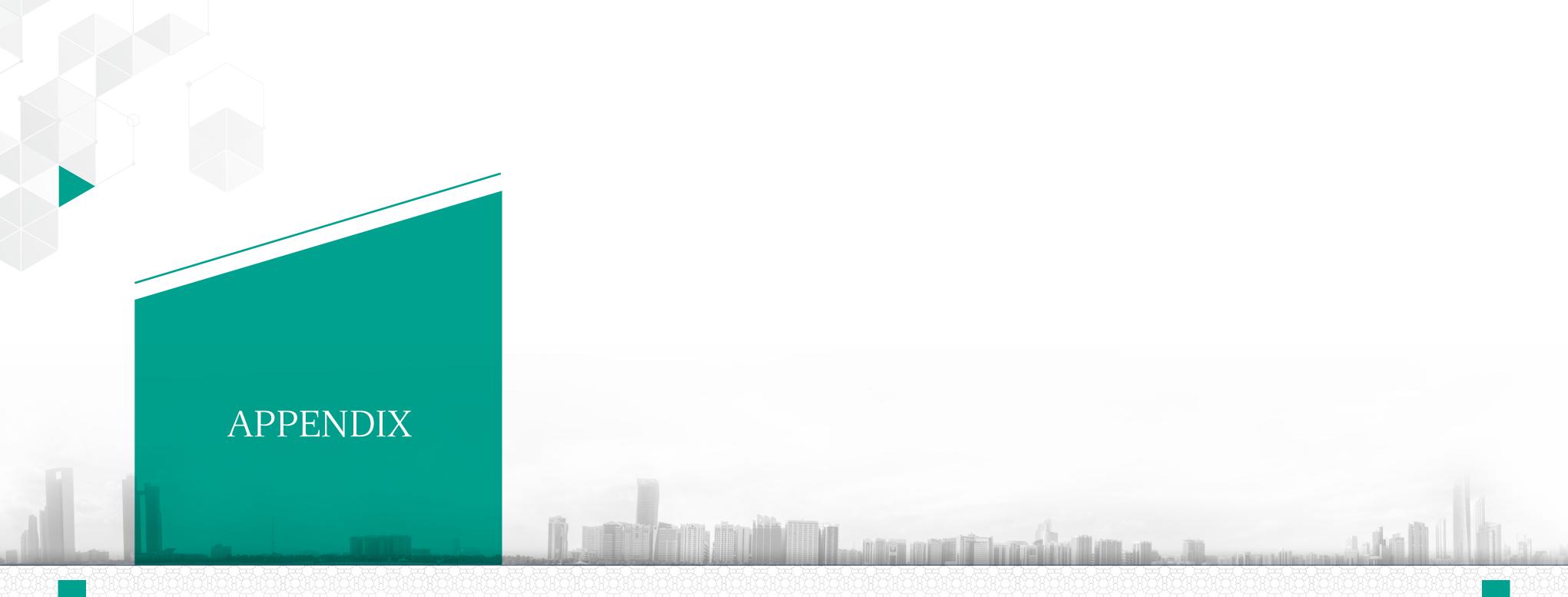


Source: ADDED Macroeconomic Model, 2023

Figure 38: Abu Dhabi Real Non-Oil GDP Growth Forecasts (2023-2024)



Source: ADDED Macroeconomic Model, 2023



ASSUMPTIONS, CONVENTIONS & ABBREVIATIONS

Monetary values in this Report are typically expressed in UAE dirhams (AED) – the local currency unit of the United Arab Emirates – or in United States dollars (USD). The dirham's value against the USD is fixed at rate of 3.6725 AED per USD. However, for international comparisons the preferred unit is PPP international dollars when available.

The major economies presented in this Report are China, the Euro Area, India, Japan, and the United States. This roughly aligns with the UAE's largest trade partners and are the five largest benchmark economies. The Euro Area's (nominal) GDP is slightly smaller than that of China and about three times larger than that of Japan.

Growth rates reported in this document are on a year-over-year (y-o-y) basis, unless otherwise noted. Quarter-over-quarter (q-o-q) growth rates are expressed in raw form (i.e. not annualized), unless otherwise noted. Economic growth rates are reported on a constant price basis wherever possible and with a base year of 2014.

Time periods in which data have been estimated and subject to revision may be denoted with the letter E to denote its status as not finalized, whereas future time periods where data are projections are denoted with an F. For example, 2020 is historical. If data pertaining to that year have been estimated but subject to revision, it may be labelled 2020E. On

the other hand, projections for 2022 would be noted 2022F as 2022 has yet to conclude. When it is clear the letters may be omitted.

The word "contraction" implies a negative movement, whereas "growth" implies a positive movement; therefore, a contraction of 1% is equivalent to expressing a growth of -1%.

Dotted lines are used to represent forecasted values in time series charts, whereas solid lines are actual/historical values (even if estimated or subject to revision). Dotted lines may also be used to denote a benchmark value. Based on context, it should be clear which one is in use.

Fan charts, statistical tests, and confidence intervals are reported at the 95th percentile or significance level (unless otherwise noted). This is equivalent to a p-value of 5 percent.

The placement of countries on charts and figures is normally done on alphabetical basis, with the exception that usually a reference point such as the world or Abu Dhabi is placed on either extreme of a chart. Economic sectors and CPI basket categories are listed left-to-right by ISIC4 code (alphabetically) and expenditure group number (numerically).

Rates of change are typically reported to 1 decimal place. Small dollar values are reported to 2 decimal places. Large dollar values are reported with no decimal. Interest rates are reported to 2 decimal places. As such, numbers may not add

up to the expected aggregate values (e.g. sum of the shares may not add to 100%).

Dates are expressed in international format (dd/mm/yyyy), unless otherwise noted.

Indicators are expressed as the average effective value over its reporting period, unless otherwise noted. For example, the monthly price of oil is its average effective daily price. But quarterly or yearly inflation is usually noted as the end-of-period value.

The Gulf Cooperation Council (GCC) is a regional intergovernmental political and economic union. It consists of six countries (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates).

The "Arab world" grouping of countries consists of 22 states which are members of the Arab League. A majority of these countries can be found in the Middle East and North Africa.

MENA refers to the countries of the Middle East & North Africa. The IMF classification (which includes Djibouti and Somalia, but not Turkey) is used in this Report, except where noted.

The MENA+ countries here refer to augmented definition of the Middle East & North Africa and correspond to the IMF WEO Middle East & Central Asia classification (MENA + other parts of West Asia + Central Asia + parts of South Asia). The Euro Area (a.k.a. Eurozone) refers to the 19 member states of the European Union that use the euro as the sole legal tender.

The European Union (EU) refers to the political and economic union of 27 member states. It represents a common market (though not a common currency) with a common trade and tariffs policy.

The IMF WEO reports include the Euro Area as one grouping in reporting data since it represents a currency union within a common market. However, for international trade data a more common grouping for reporting data is the European Union since it is a common trading bloc. For international comparisons both the Euro Area and European Union are referenced depending on the context of the data. The two are always explicitly labelled.

Table 1 below table summarizes the abbreviated names of sectors used in this Report against the ISIC4 classification of economic activities used by the Statistics Centre of Abu Dhabi. The abbreviated names are used merely to allow the names of the economic activities to fit better in diagrams and figures. Additionally, a conventional shorter name may also be included (e.g. "Agriculture" being an informal shorthand for the already abbreviated "Agriculture & NR"). The classification grouping is taken from SCAD.

APPENDIX

APPENDIX

Table 1: Economic Activity Abbreviated Names

SIC4	Activity Full Name	Activity Short Name
A	Agriculture, Forestry and Fishing	Agriculture & NR ("Agriculture")
В	Mining and Quarrying (includes crude oil and natural gas)	Mine & Quarry ("Oil GDP")
С	Manufacturing	Manufacturing
D,E	Electricity, Gas, and Water Supply; Waste Management	Utilities & Waste Mgt
F	Construction	Construction
G	Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles	W/H-Retail & Vehicle Repair
Н	Transportation and Storage	Transport & Store
I	Accommodation and Food Services	Hotel & Food Services
J	Information and Communication	ICT
K	Financial and Insurance	Financial & Insurance ("Finance")
L	Real Estate	Real Estate
M	Professional, Scientific and Technical Services	Prof, Scientific & Technical
N	Administrative and Support Services	Admin & Support
0	Public Administration and Defence; Compulsory Social Security	Gvt & Defence
Р	Education	Education
Q	Human Health and Social Work	Health & Social ("Healthcare")
R,S	Arts, Recreation and Other Services	Arts & Rec
T	Activities of Households as Employers	Household Activities

Source: SCAD

Table 2 below summarizes the abbreviated names of the CPI expenditure groups.

Table 2: CPI Expenditure Groups Abbreviated Names

Exp. Grp No.	Expenditure Group Full Name	Expenditure Group Short Name
01	Food and Beverages	Food & Beverage
02	Alcoholic Beverages and Tobacco	Alcohol & Tobacco
03	Clothing and Footwear	Clothing & Footwear
04	Housing, Water, Electricity, Gas and Other Fuels	Housing & Utilities
05	Furnishing, Household Equipment and Routine Household Maintenance	Furniture & Equipment
06	Health	Health
07	Transport	Transport
08	Communication	Communication
09	Recreation and Culture	Rec & Culture
10	Education	Education
11	Restaurants and Hotels	Restaurant & Hotel
12	Miscellaneous Goods and Services	Miscellaneous

Source: SCAD

Table 3 below summarises the popular abbreviations used in the Report.

Table 3: List of Abbreviations

Abbreviation	Name	Explanation
ADDED or DED	Abu Dhabi Department of Economic Development	Parent organisation of the ESO
AED	United Arab Emirate dirham	Local currency unit of the UAE
bbl	Barrel	Unit of account for crude petroleum
DCT	Department of Culture and Tourism	Owner or hotel and tourism data
EIA	US Energy Information Administration	Source of crude price data
ESO ESO	Economics Strategy Office	Department within DED
FCSC	Federal Statistics & Competitiveness Centre	National statistical office
GCC	Gulf Cooperation Council	Political and economic union
ILO	International Labour Organisation	Global labour organisation
MENA	Countries of the Middle East & North Africa	Cultural and geographic grouping
MENA+	Expanded definition of MENA	+ Central, West and parts of South Asia
OPEC	Organisation of Petroleum Exporting Countries	Accounts for half of global oil production
OPEC+	OPEC-plus	+ Russia and 10 other countries
SCAD	Statistics Centre of Abu Dhabi	Emirate statistical office
UNCTAD	United Nations Conference on Trade & Development	Entity dealing with global trade
WEO	World Economic Outlook	Periodic IMF economic report

DATA & SOURCES

The Report draws data from local and international sources. The primary sources of local data are the Statistics Centre of Abu Dhabi and the Federal Competitiveness and Statistics Centre. The former is the statistical office of the Emirate of Abu Dhabi, whereas the latter is the national statistical office of the UAE.

The primary source for international data is the IMF World Economic Outlook. Where possible (and not in conflict with other dates) the April 2023 update was used. Otherwise, the January 2023 edition of the WEO was taken.

Trade data (quarterly) are taken from the UNCTAD database where possible. Otherwise, they are obtained from the World Bank national accounts data as published in the World Bank World Development indicators database.

Data on market indices are taken from Yahoo! Finance or directly from the exchanges.

Oil price data are taken from the US EIA (Brent spot) or OPEC (OPEC Reference Basket). Daily prices are converted to monthly, quarterly, or annual data as the average effective price over the period. Brent crude price is the reference price typically quoted in relation to Abu Dhabi. Nevertheless, the OPEC

Reference Basket (ORB) may also be used and is closer to the market relevant to the Emirate. In fact, the neighbouring Emirate of Dubai recently launched an oil-trading platform (Alternative Crude Ecosystem) to trade grades more relevant to the region (e.g. Murban). Nevertheless, the Brent price is a good proxy of the price relevant to Abu Dhabi and is a more well-known international benchmark.

Projections for Abu Dhabi in the Abu Dhabi Economic Outlook section are estimated using an input-output matrix developed by Oxford Economics.

Initial estimates of local statistical data are typically released within 60 days of the end of the reporting period for quarterly or yearly data. Monthly data are typically released within 30 days of the end of the reporting period. Note that such data are usually released in batches. Data are usually subject to revision and finalisation (notwithstanding any other issues) the period after the initial release. Therefore, the data used in this Report may not match the final reported numbers by the statistical aggregators.

Data used in this Report were collected on or before August 2023. Updates and revisions to databases past that date are not reflected here in the Report.

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Abu Dhabi Department of Economic Development Economic Strategy Sector