



SUMMARY OF THE ECONOMIC REPORT OF THE EMIRATE OF ABU DHABI 2010

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Despite the decline in GDP in the emirate of Abu Dhabi by 18% in 2009 compared to 2008, it could be said that the emirate's economy has achieved an acceptable level performance during 2009, in view of the deterioration of oil prices; and the instability in global economy in the wake of the global crisis.

The decline in oil prices, in addition to the downturn of oil exports of the emirate, had led to a decline in oil GDP growth rate by 34% in 2009; at the same time, non-oil economic activities achieved satisfactory growth rates during the same year, in spite of the various challenges; whereas non-oil GDP grew by 6%.

The Economic Report of the Emirate of Abu Dhabi 2010 revealed that all non-oil economic activities maintained the positive growth rates achieved in past years, although these rates were lower than previous ones. This reinforces the emirate's strategy to diversify the economic base, reduce dependence on oil as the main propellant of the economy and furthers progress towards achieving sustainable development.

Following is a review of the true nature of the economy of the Emirate of Abu Dhabi in the light of economic changes witnessed in 2009, with highlighting of development path during the past five years.

GDP:

Although the global crisis has cast a shadow over most of the economies and the countries of the world, Abu Dhabi economy in the global gamut was no excuse as it was also affected by the crisis and its repercussions. The crisis has vetoed the continuation of the emirate's economy to achieve high economic growth rates, similar to those witnessed in the past few years. The crisis dramatically impacted upon the global oil prices, which in turn reflected on the overall economic performance of the Emirate of Abu Dhabi.

Abu Dhabi's overall economic performance has been slow during 2009, where GDP dropped from AED 666.732 million in 2008 to about AED 546.476 million in 2009 recoiling by about 18%. The largest decline was in the share of oil and gas sector in GDP which fell by 33.5% in 2009 compared to a growth rate of about 32% in 2008. This contrast reflects the sharp decline in world oil prices and their impact on the emirate's economy, as the average oil price of \$ 97 per barrel in 2008 to \$ 61 dollars per barrel in 2009, registering a plummeting by more than 37%.

The non-oil GDP recorded a growth rate of 6% in 2009 compared to 9.6% in 2008, emphasizing the sensitivity of sectors and non-oil activities to fluctuations in oil prices; although the volatility in growth rates of non-oil sectors has become much less than it was in past years.

At the level of GDP components, the year 2009 witnessed a decline in the rate of growth of total commodity activities by 25%, compared to a positive growth of around 26.6% in 2008. This clearly shows the impact of the sharp drop in oil and gas sector which accounted for about 70% of the total commodity activities, on the overall economic performance of the commodity activities. However, some other commodity activities had recorded a rise in growth rates during the past year compared to

2008, such as manufacturing and construction and building activities which achieved growth rates of 4% and 5% respectively.

In contrast, total service activities registered positive growth of 7% in 2009, but its overall performance remained lower than 9% which was attained in than in 2008. This could be attributed to the drop in performance of financial institutions activity, and real estate and business services activity, which maintained growth rates of 4% and 7% respectively in 2009 compared to 11% and 8% respectively in 2008. The marked decline in the volume of domestic demand in 2009 as a result of the global crisis, as well as the tangible change in the patterns of consumer spending for a large segment of the population, had cast a shadow on the activity of wholesale and retail trade and repair services, which registered a growth rate of around 6% in 2009 compared to 8.4% in 2008.

Gross Fixed Capital Formation:

In the light of the importance given by the emirate to economic diversification and stimulation of various economic activities, the capital formation (fixed investments) emerges as core pillar of support in the national economy. Fixed capital formation increases value-added of services and productive activities and contributes to the modernization and development of technological content (technical) of those activities, increasing the absorptive capacity of the national economy.

The pivotal role played by oil revenues in increasing capital formation by financing projects in economic and social development, is noteworthy. Due to a sharp decrease in oil prices over the past year,

there was a significant decline in the growth rate of capital formation, which amounted to about 10% in 2009, compared to 18% in 2008.

The volume of fixed capital formation in the Emirate of Abu Dhabi rose from AED 43 995 million in 2004 to about AED 79.840 million in 2009, with an average annual growth rate of about 13% during that period. Estimated share of commodity activities was around 44% of the total fixed investments in 2009, with total value of AED 35,350 million. By contrast, the total value of fixed investment in service activities for the same year amounted to AED 44.491 million, constituting about 56% of the total value of fixed investment.

Commodity Exchange through Ports:

The volume of Abu Dhabi foreign trade hiked up from AED 174 billion in 2004 to AED 487.6 billion in 2008, however; it declined to about AED 425 billion in 2009 on the impact of slowing global demand for commodities and lower prices, due to the global crisis.

The trade balance surplus for the Emirate of Abu Dhabi fell by 22.7% in 2009 compared to 2008, and this decrease was primarily due to the falling down of average oil prices in 2009, and the drop of the emirate's share in global oil exports. Even though, that, surplus was still large; as it amounted to AED 237.3 billion, reflecting the strength and stability of the emirate's economy in the face of the global crisis.

Oil exports of the Emirate of Abu Dhabi totaled AED 313 billion in 2009, registering a decrease of 18.7% compared to 2008, owing to the deterioration in oil prices and the shrink in exports of oil in 2009 due to

drop in global demand in the wake of the repercussions of the global crisis.

Abu Dhabi non-oil commodities exports amounted to AED 9.501 billion in 2009, compared to AED 6.252 billion in 2008, marking a high annual growth rate of around 52%. Re-exports of non-oil commodities totaled AED 8.695 billion in 2009, achieving high growth rate of 39.3% compared to 2008.

The value of commodity imports increased to AED 93.872 billion in 2009, growing by 3.98% compared to 2008. That rate of growth was very low especially in comparison to 42.5% in 2008, as a result of the drop in imports of intermediate goods which registered negative growth of 8%, in addition to the meager growth in imports of consumer goods, which did not exceed 1%.

With regard to the coverage of exports to imports, the most important characteristic of the Emirate of Abu Dhabi was the ability of its large exports to cover its commodity imports at high rates exceeding 400% in most years during the period (2004-2009). So the emirate's exports could help in the process of economic development and in securing needs from different resources, and meeting requirements of the population. However coverage rate in 2009 was noticeably low in 2009 as it reached 352%, which was the lowest rate during the period. This was mainly caused by the drop in oil exports in 2009. Great disparity is noticeable between the coverage ratios of oil exports to commodity imports, compared to coverage rate of the non-oil exports to commodity imports, as the coverage rate of oil exports to commodity imports reached nearly 333% in 2009, compared to 533% in 2005. Non-oil exports coverage to commodity imports increased significantly, reaching

about 10.1% in 2009 compared to 6.9% in 2008.

Population:

The population of the Emirate of Abu Dhabi represents a driving force, while in the meantime poses as the main focus of the various economic and social development plans. The population presents opportunities as well as and challenges at the same time; the one hand, the large size of the population provides diverse resources of human capital needed to implement development plans, and fill in required new jobs. On the other hand, high population growth rates exemplify urgent challenges to the government, in view of the need for continued development of services and public utilities, and determining the optimal geographical and sectorial distribution pattern of the population.

Estimates indicate that the population of Abu Dhabi increased Abu Dhabi from about 1.30 million people in 2004 to about 1.64 million people in 2009, with an average annual growth rate of about 4.6% during the period (2004-2009).

As for qualitative distribution of population, the emirate still experiences a kind of imbalance between males and females. Males made up about 65% of the total population in 2009. Proportion of females in total population registered a slight improvement, reaching around 35% in 2009, compared to 34.6% and 34.3% of the total population of Abu Dhabi in 2008 and 2007, respectively.

Regarding the structure of population in Abu Dhabi, the 2009 data revealed that the age group (15 years and less than 60) comprised 76%

of total population in the emirate, while the age group (less than 15) acquired about 22.5% and the age group (60 and over) accounted for about 1.5%.

On the other hand, estimates of population distribution by nationality showed that UAE citizens constituted about 25% of the total population of the emirate in 2009, the total nationalities of the Middle East, accounted for 23.5%, while nationalities of East Asian countries comprised 46.5% the largest percentage of population in emirate. Nationalities from the rest of the world shared the remaining 5% of the total population of the emirate.

Workforce:

Despite the Emirate's policies and initiatives to increase citizens participation in workforce, and attract skilled labor, Abu Dhabi, remains committed to maintain flexibility in labor market in order to ensure rapid response to the requirements of growth.

The total size of the workforce in the emirate has risen from about 815 thousand in 2005 to about 919 thousand persons in 2008 at an average annual growth rate of about 4.1% during the period (2005-2008). This was accompanied by an increase in the number of employees from about 786 thousand employee in 2005 (96.5% of the workforce), to 889 thousand employee in 2008 at an average annual growth rate of 4.1%. This in turn reflected on the rate of unemployment, which fell from 3.5% in 2005 to about 3.2% in 2008. This is a strong indicator of the emirate's continued efforts to maintain high employment levels, supported by continued economic growth.

The distribution of workers in Abu Dhabi by nationality reveals that citizens composed 9.7% of the total workforce in 2008 with a total of 86,272 persons. The activity of public administration and defense attracted the largest part employed citizens (64% of the total employed UAE citizens), followed by education activity and the activity of mining, with 6.5% and 5.8% respectively. In contrast, the total number of employed non-nationals, amounted to about 803,146 persons, most of them work in construction activity which attracted about 22.3% of the total number of migrant workers.