

UAE experiencing more solid growth

The Arab country took action to bounce back from the 2008 crisis and to counter the oil price slump. The current economic scenario is more sustained and opportunities are available.

Isaura Daniel*

São Paulo – Construction sites line the cities, new companies and stores are opening, there are job adverts and lots of foreigners are doing business. Despite the fact that oil prices are low, the United Arab Emirates are experiencing a growth spell and the outlook is positive. This is a different moment than the pre-2008 era, when cash was everywhere and opportunities were up for grabs, but it's better and more sustainable, according to specialists and regular folks alike.

“The growth we witnessed in 2006 to 2008 is never gonna come back. I think, in my view, that was skyrocketing, unrealistic growth. I think now it's more cautious, more slight, at the right growth rate, at the right CAGR versus an exponential growth,” Glasgow Consulting Group director Vishal Pandey said in an interview with ANBA. CAGR stands for Compound Annual Growth Rate, an indication of return on investment in a given period.



The country is making adjustments to the oil price slump underway since 2014, and it's bouncing back from the 2008 Dubai crisis, when the emirate struggled with honoring its debts. But the country is forging ahead just the same. Last year, its economy saw 2.3% growth according to the World Bank. In 2015 and 2014, Gross Domestic Product (GDP) widened by 3.8% and 3.1%, respectively.

The Brazilian ambassador in Abu Dhabi, Paulo Cesar Meira de Vasconcellos, says the drop in oil prices is damaging to the country because oil is a key revenue source. He explains that subsidies are being cut and programs are being shed as a result, but he notes that oil accounts for only 30% of GDP, and that the UAE has been working towards economic diversification for some time now. “It's one of the countries that does the most research into alternate energy sources. They can see into the future, they do long-term planning,” he asserts.

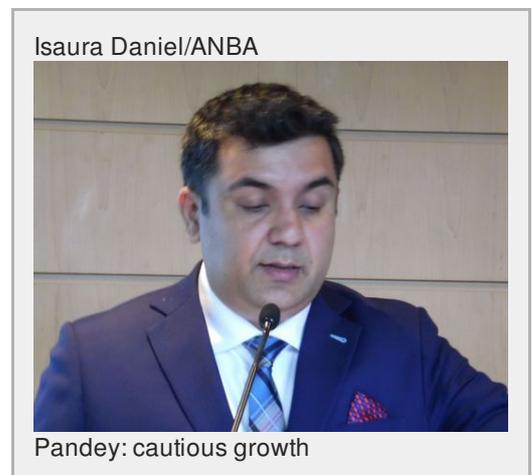
To the Brazilian business owner Omar Hamaoui, who has owned an engineering company in Dubai for 13 years now, this is a positive moment, one of solid economic growth in the UAE. He cites projections by local and international organizations that point to sustained, continuous growth into the next few years. "Tourism, construction and services are the pillars of Dubai's economy, and they are displaying fairly expressive growth." According to him, the trend peaked in early 2016, and the fact that contracts are being signed is an indication that it will persist.



Hamaoui believes that prior to the 2008 crisis, the market was fairly dependent on financial speculation by non-locals, and the demand wasn't real. "At this point, the market is much better protected, and striving to put more and more rules to protect businesses and individuals. The action of speculators is much less effective now. The market is more mature and protected. It is essentially based around supply and demand," says the Brazilian, a descendant of Arabs. He remarks that population growth is a primary driver of the local economy.

Pandey claims that while some sectors took a hit as oil prices fell, in other fields it was business as usual. His outlook for the local economy is a positive one, driven by Expo 2020 and by events throughout the region, such as the 2022 FIFA World Cup in Qatar, and the social, cultural and economic change underway in Saudi Arabia, where many women are joining the labor market. Dubai is hosting Expo 2020 in three years' time.

"I definitely see times are gonna be good going forward," says Pandey. He believes an indication of what's to come is the consulting industry. "We're in the consultancy business and I know any consultancy that I speak to they have loads and loads of work," he says. For Hamaoui, in addition to tourism, construction, and services, opportunities are available in restaurants, trading, real estate, and retail.



Driving these industries, according to him, is the fact that the UAE are the premier distribution hub in the hemisphere, with world-class, streamlined logistics services; air travel numbers are increasing; new tourism projects are underway; services are high quality; and the country is safe. He notes that the UAE welcomes tourists by the thousands, that the return on investments is good (especially in real estate), and that Dubai will host Expo 2022, which is expected to see 25 million visitors in six months.

Last February, after a visit to the UAE, IMF managing director Christine Lagarde commended the government's steering of the economy. She said the budget consolidation and the rolling out of a major structural reform will help the UAE's economy to adapt to a scenario of weak oil prices, as well as fuel economic diversification and enhance productivity.

A paper released by the IMF last year claimed that oil had weighed down the economy, but that the buffers built over the years had prevented investors' appetites



from decreasing any further. Brent oil went from selling for over USD 100 in the first half of 2014 to some USD 30 in January 2016. Prices climbed gradually last year and surpassed USD 55 last month.

The IMF remarked that the public sector is a key driver of growth, but also a liability due to high debt levels, which government organizations are managing well nonetheless by extending maturity dates. The recovery in oil prices and investments leading into Expo 2020 are cited by the Fund as positive for the UAE economy.



***Translated by Gabriel Pomerancblum**

<http://www.anba.com.br/>

www.inovsi.com.br