

IMF: UAE's economy to grow stronger

A report from the International Monetary Fund shows that economic activity will gradually gain strength over years to come with projects for Expo 2020 and some recovery in oil prices.

From the Newsroom*

São Paulo – The economy of the United Arab Emirates is expected to strengthen gradually in over the next few years, according to a report released this Friday (14) by the International Monetary Fund (IMF) as a conclusion of regularly held consultations with the Fund's member countries.

Non-oil sectors are seen growing by 3.3% in 2017, up from 2.7% in 2016, as a consequence of higher government spending and a pickup in global trade, a key activity for the UAE.

However, the IMF expects oil industry revenue to shrink further this year, which may lead to meager 1.3% economic growth overall.

The Fund estimates that the UAE's non-oil sector will keep growing at rates higher than 3% in the medium term, underpinned by investments leading up to Expo 2020, the world exhibition which Dubai will host.

Generally speaking, the UAE's economy is expected to benefit from a rebound in oil prices and other international indicators. The fiscal consolidation underway in the country is also expected to slow down. As a result, the IMF's growth forecast for 2018 is 3.4%.

The UAE's GDP did not grow as much in 2016 as it did in 2015, the reasons being the oil price slump, the postponing of infrastructure projects and the slowdown in global trade. Nevertheless, the economy as a whole (oil and non-oil sectors) showed 3% growth, down from 3.8% in 2015.

In 2016, inflation in the UAE was only 1.8%, down from 4.1% in 2015, reflecting weak domestic demand and rent prices. Despite the fiscal adjustment measures, the budget deficit widened from 3.4% of GDP in 2015 to 4.3% in 2016 on the back of oil industry revenue. Likewise, the current account surplus narrowed from 4.7% of GDP to 2.4%.

***Translated by Gabriel Pomerancblum**

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