



دائرة التنمية الاقتصادية
DEPARTMENT OF ECONOMIC DEVELOPMENT

ABU DHABI

Q4

2022

ECONOMIC UPDATE

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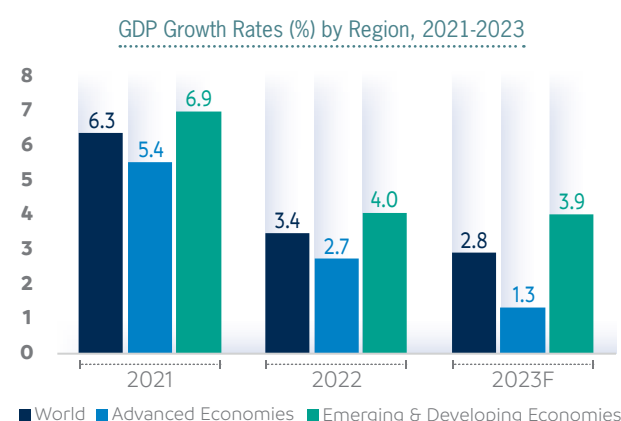
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GLOBAL UPDATE

Global Growth:

In Q4 2022, global economic growth was clouded with several downside risks posing challenging conditions for both advanced and emerging & developing economies (EDEs). Global growth for 2023 is now expected at 2.8, with EDEs (3.9%) expected to outpace advanced economies (1.3%).



- In April 2023, the IMF World Economic Outlook, projected global growth in 2023 to be 2.8% compared with growth of 3.4% in 2022. The slowdown in global growth is due to tighter monetary & financial conditions, as well as rising geopolitical tensions.
- In Q4 2022, global trade in goods and in services declined on a quarter-over-quarter basis by 3.5% and 3.1%, respectively, partially due to softening global demand. China's firm measures on Covid-19 affected global trade considerably, causing Chinese exports and imports to decline by 7.1% and 2.5%, respectively.

World Trade:

Trade in both goods and services contracted in the final two quarters of 2022 (on a q/q basis). Rising prices of consumer goods due to soaring cost of inputs (energy & food) have

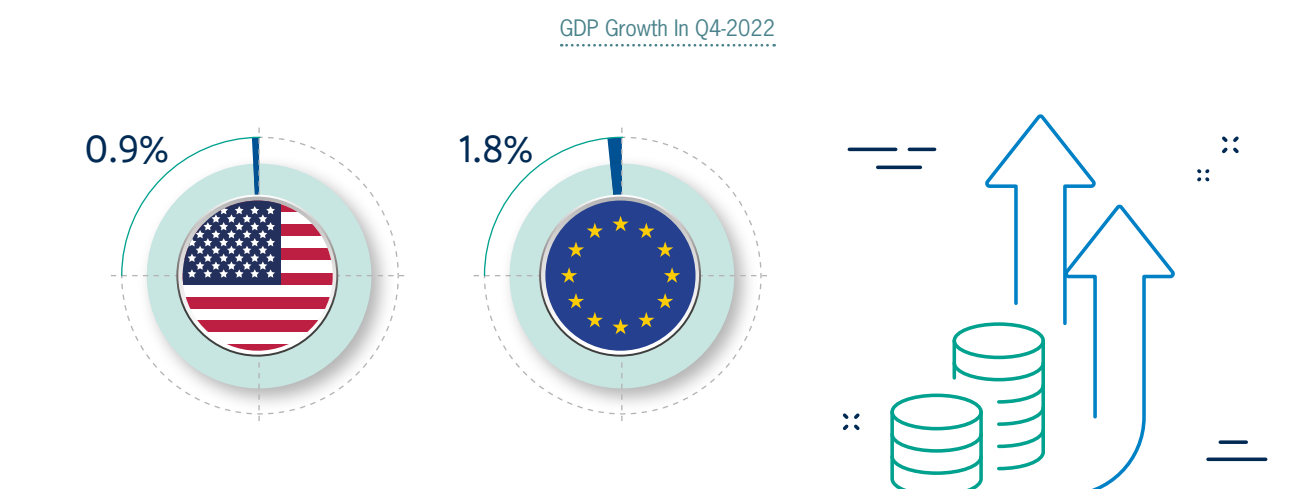
reduced demand, as well as the continuing negative spillover effects from the war in Ukraine joined with tightening financial conditions have collectively reduced traded volume.



Major Economies Growth:

Despite lowered inflation and labor market resilience in US, monetary tightening has weakened consumer

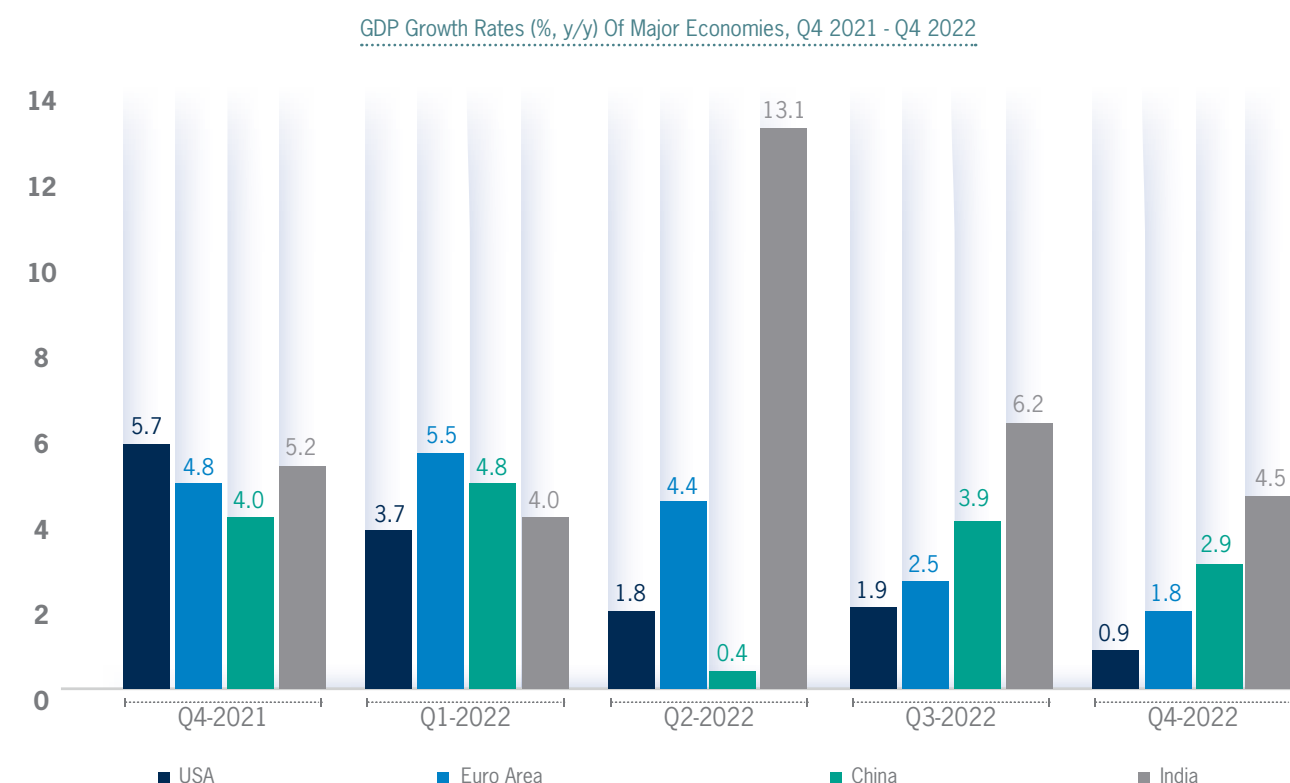
demand & manufacturing output, leading to relaxed growth at 0.9% Y-o-Y in Q4 2022.



Euro Area Growth:

Uncertainties over energy supply in the Euro Area, combined with high inflation (9.2% in December 2022)

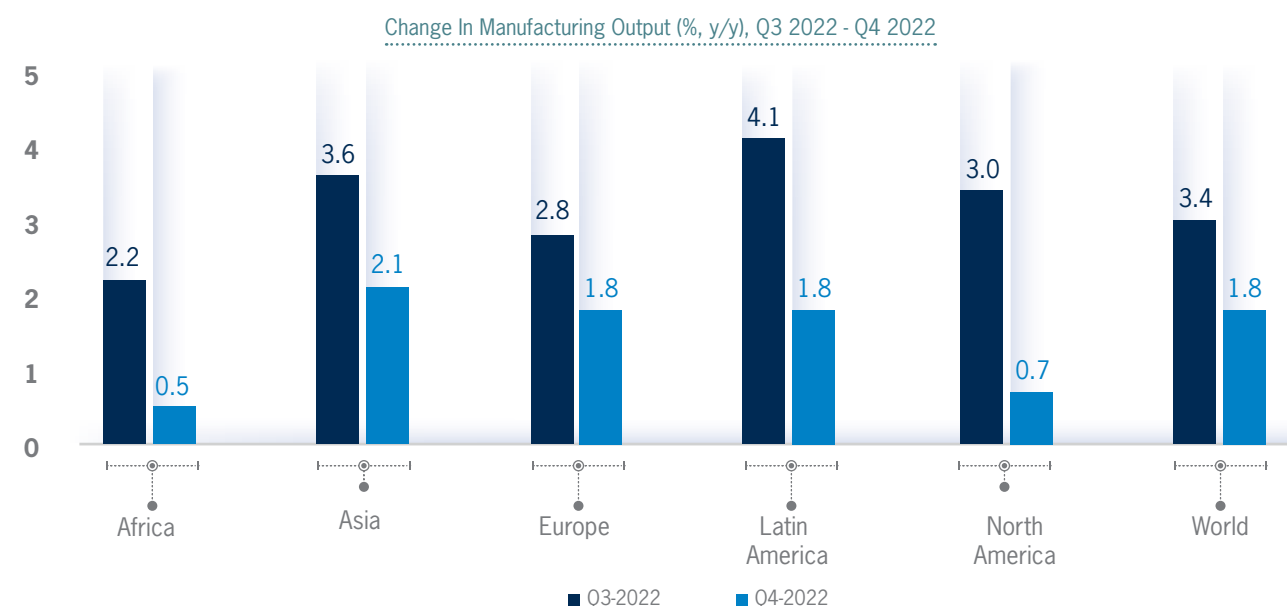
weighed down negatively on consumers and businesses, driving growth in Q4 2022 to fall to 1.8%.



Global Manufacturing:

In Q4 2022, amid challenging conditions, global manufacturing growth slowed remarkably to 1.8%. Disruptions in the supply chain of raw materials and intermediate goods combined with high

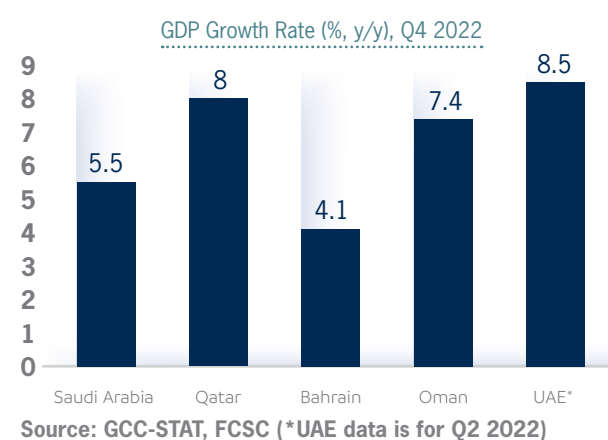
energy prices and rising interest rates have jointly affected businesses confidence and raising uncertainty. Latin America posted the highest growth due to strong expansion in Mexico (4.5% growth in Q4).



REGIONAL UPDATE

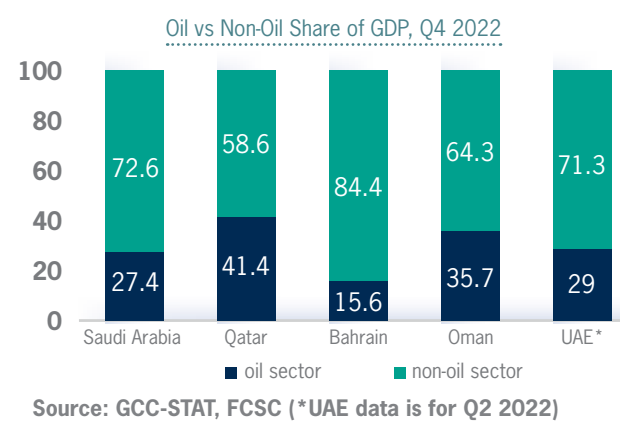
GCC Growth

Q4 2022 growth rates across the GCC* were relatively buoyant. Part of that might likely was driven by World Cup tourism in Qatar and that spilled over to the region.



Oil vs Non-oil Share of GDP

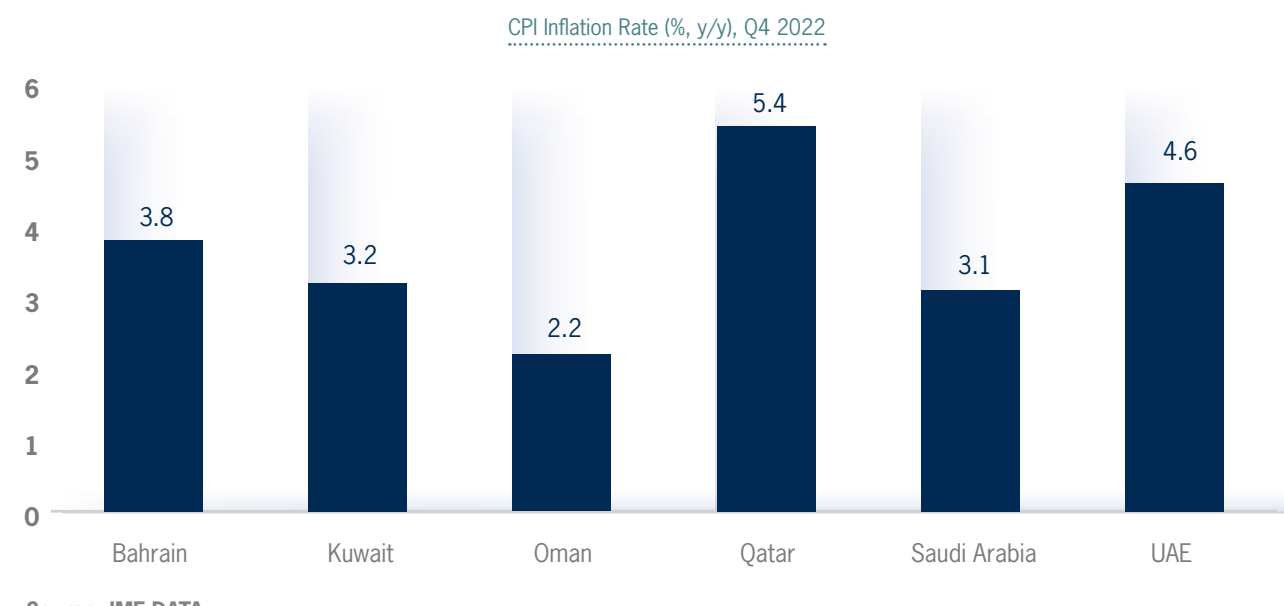
Non-oil GDP tends to capture the majority share across most GCC, with Bahrain posing the highest share and Qatar showing the least. Through non-oil segments, manufacturing activities are driving non-oil growth in some countries, mainly Bahrain (20.4%), Saudi Arabia (16.0%) and Oman (10.0%). While the construction sector was the main component of the non-oil sector in Qatar (11.9%).



GCC Inflation:

All the GCC countries have some kind of pegged currency arrangement; therefore, monetary policy targets the exchange rate,

rather than inflation. The global inflation surge of 2022 peaked in the GCC in Q3 2022. Inflation in Q4 2022 eased in most of the GCC countries.

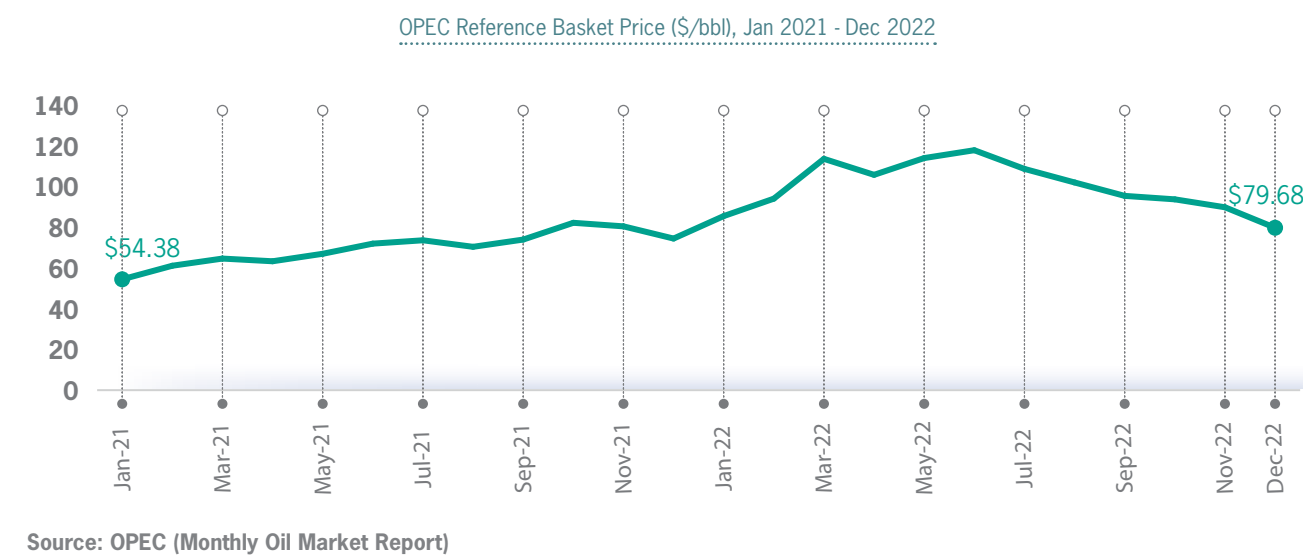


OIL MARKET UPDATE

Oil Price:

Following the gradual increase in 2021 and the first half of 2022, OPEC basket price witnessed a continuous

decrease since June 2022, mainly affected by recession fears in US and a slowdown in China.

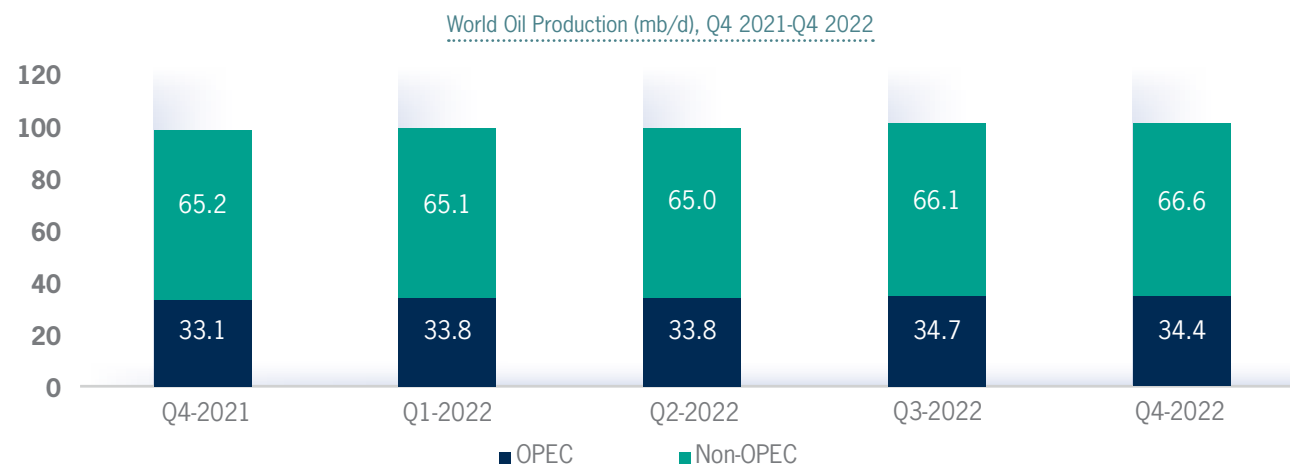


World Oil Production:

As part of OPEC+ production cuts, GCC countries lowered oil supply in Nov. 2022, while the EU ban on Russian crude imports along with a G7 price cap caused sharp decline in supply in Dec. However, overall oil production in 2022 increased.

OPEC Market Share:

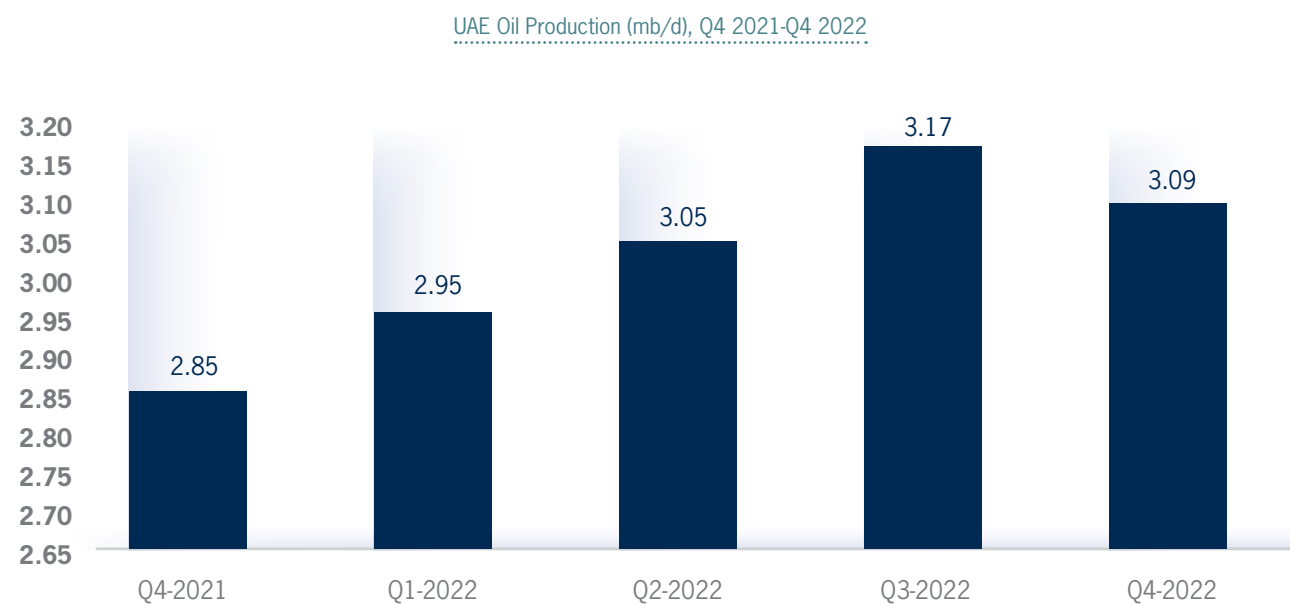
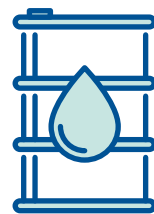
Responding to high interest rates and a weak global economy, OPEC+ agreed deep production cuts in Q4 2022 (Oct) around 2mb/d — almost 2% of global supply — seeking to reverse declining oil prices.



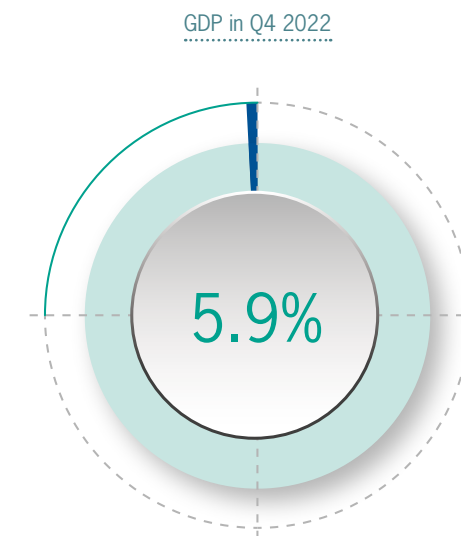
UAE Oil Production:

Crude oil production witnessed an increase of 8.4% in Q4 2022 compared with Q4 2021; however, production declined 2.3% compared with the Q3 2022 due to OPEC agreement cuts.

8.4%
Q4 2022



ABU DHABI UPDATE

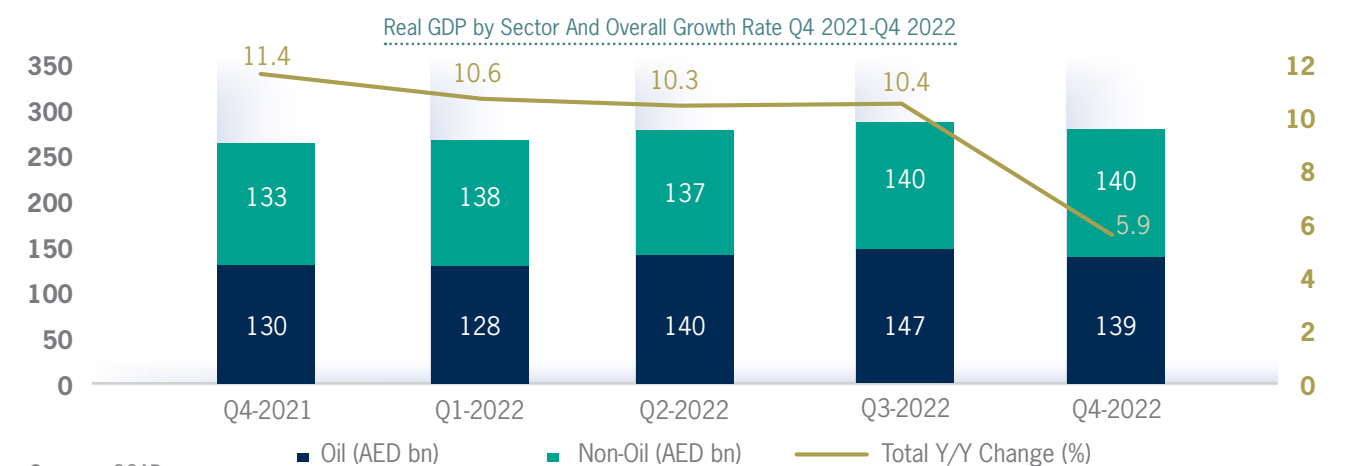


Gross Domestic Product (GDP):

The overall GDP growth has slowed gradually in 2022 to reach 5.9% in Q4 2022 (Y-o-Y), reflecting the sluggish growth in oil and non-oil activities.

Oil activities have softened in Q4 2022 (Y-o-Y), which could be attributed to OPEC+ deep production cut in Q4 2022. UAE oil production declined by 2.3% in Q4 2022 (Q-o-Q).

The growth of non-oil activities witnessed a marked slowdown in the last three quarters of 2022 Y-O-Y. Manufacturing, the largest non-oil sector, declined by 2.7% (Y-o-Y) & 11.6% (Q-o-Q) as high inflation and tightening financial conditions affected local demand.



• In Q4 2022, Abu Dhabi economy shrank by almost 3% Q-o-Q, mainly due to notable decline in oil activities (-5.3%) compared with 4.5% in Q3, given OPEC+ production cut, and a minor decline in non-oil sector by 0.3% compared with 2% in Q3 2022.

• New commercial licenses in Abu Dhabi have relatively stabilized in Q4 2022, slightly above Q3 2022 & marginally below Q4 2021, but strongly approve the recovery path and upward trend showing more than 20% growth compared with pre-pandemic level (Q4 2019).

• In Q4 2022, the number of guests in Abu Dhabi hotels increased by 24.0% compared with the same period a year ago. The average length of stay (nights) for guests was 2.9 in Q4 2022, down from 3.5 in Q4 2021.

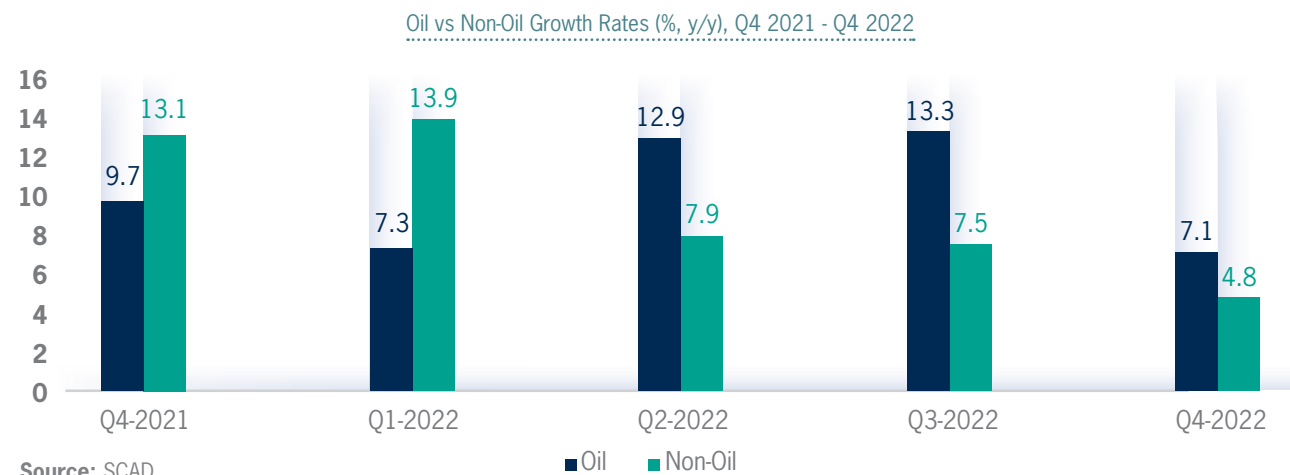
-It is worth noting that several hotels have been used as quarantine facilities during the pandemic, amplifying ALOS at record high levels.

• In Q4 2022, Abu Dhabi's overall non-oil foreign trade increased by 10.3% (Y-o-Y), reaching AED 71.12 billion. Exports maintained its growing momentum posting a 11.3% (Y-o-Y) growth rate. In Q4 2022, Switzerland was the major export partner of Abu Dhabi (AED 7.9 billion), While United State was the main import partner (AED 4.3 billion).

Oil vs Non-Oil:

In Q4 2022, the economy is almost equally shared between Oil & non-oil activities. Across the non-oil segment,

Construction posed the highest non-oil contribution to overall GDP at 8.1% followed by Manufacturing activities at 7.6%.



Non-Oil Foreign Goods Trade:

Total trade in Q4 2022 was up 10.3% compared with the Q4 2021, but was up just 8.8% compared with the Q3 2022.

The (y/y) growth was powered by imports (16.1%) and Exports (11.3%). Re-Exports contracted by 3.5%

However, on a q/q basis, the largest gain was in re-exports (11.8%), and exports grew by 10.5%

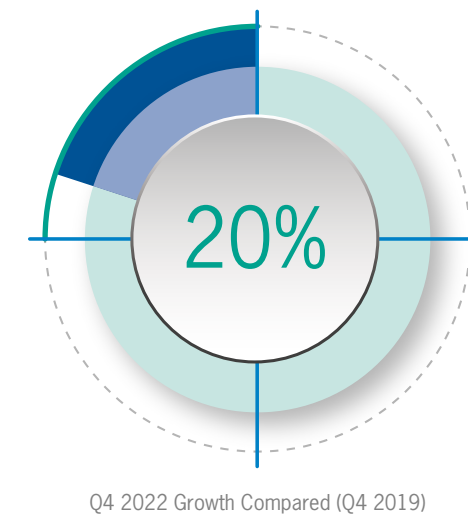
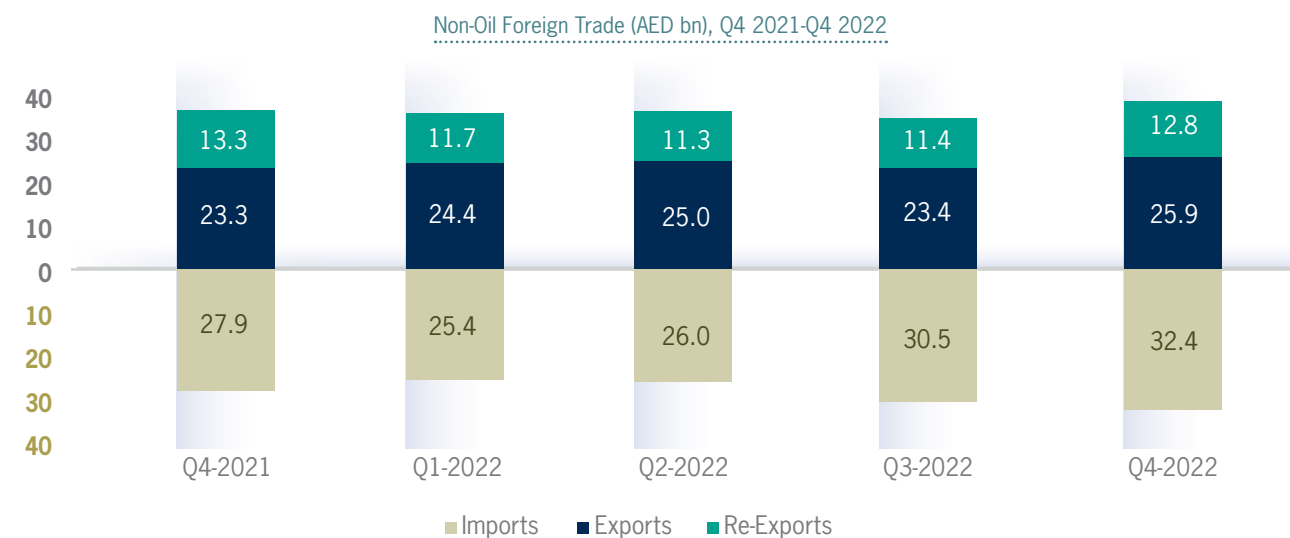
In Q4 2022, Abu Dhabi top-5 trading partners were as follow:

-Total: Saudi Arabia, Switzerland, USA, China, and Kuwait.

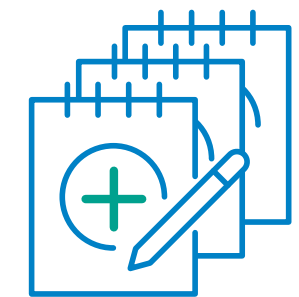
-Imports: USA, Saudi Arabia, China, Japan, and Congo.

-Exports: Switzerland, Saudi Arabia, Kuwait, Hong-Kong, and India

-Re-exports: Saudi Arabia, Kuwait, Qatar, and Bahrain.



6,171



Number of New Licenses Q4 2022

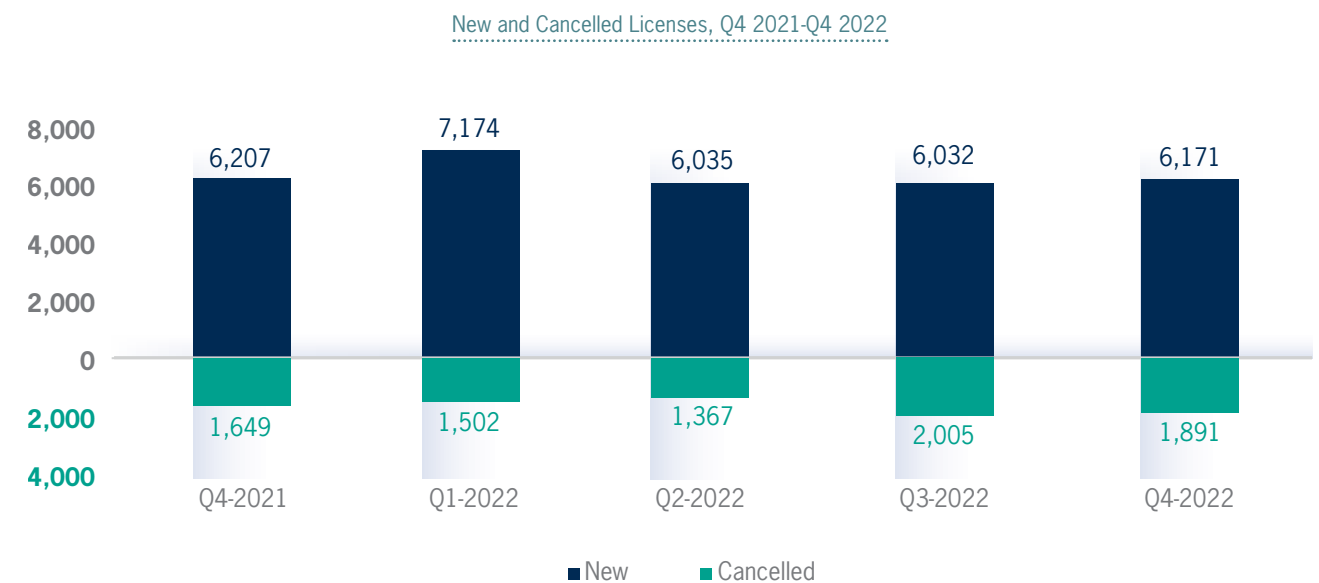
COMMERCIAL LICENCES

Newly Issued:

New licenses in Abu Dhabi have relatively stabilized in Q4 2022, slightly above Q3 2022 & marginally below Q4 2021. Q4 level (6,171) shows more than 20% growth compared with pre-pandemic level (Q4 2019).

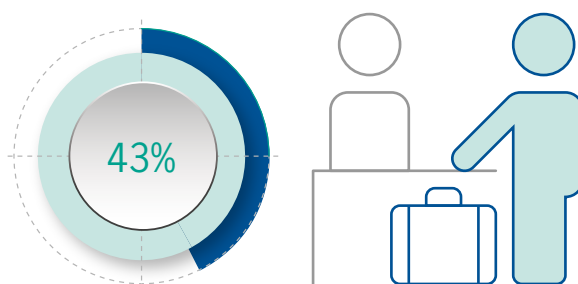
Cancelled:

License cancellations in Abu Dhabi increased by 14.7% in Q4 2022 Y-o-Y, largely due to tightening global financial conditions and increasing inflationary pressures, which dented global and domestic demand and affected businesses sentiment.



HOTEL PERFORMANCE

International Guests Hotel in Q4 2022

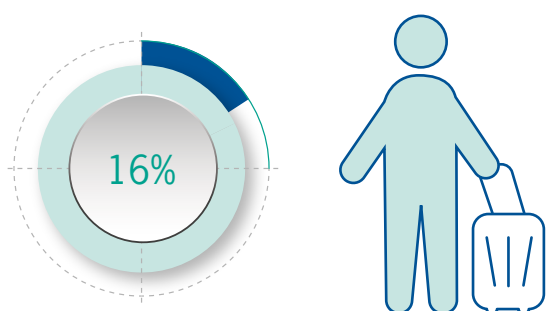


Hotel Guests:

In Q4 2022, Abu Dhabi hotels guests increased by 24% y/y, yet still below pre-pandemic levels.

The share of international hotel guests in Q4 2022 was 43% of total hotel guests, compared with 36% in the previous quarter.

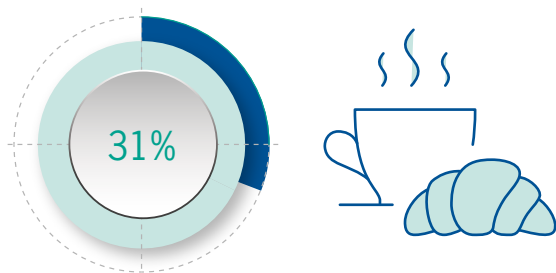
ALOS in Q4 2022



Avg Length of Stay (ALOS):

In Q4 2022 ALOS shrank by 16% y/y, which is quite reasonable compared with pre-pandemic levels (2.7 Q4 2018). It is worth noting that several hotels have been used as quarantine facilities during the pandemic, increasing ALOS at record high levels.

F&B Revenue in Q4 2022



Revenue:

Abu Dhabi hotels witnessed notable increase in total revenue by 16% in Q4 2022 y/y. Across Abu Dhabi City zones AD Island hotels captured 66% of total room revenues followed by Saadyat hotels. F&B revenues contributed 31% of total revenues in Q4 2022

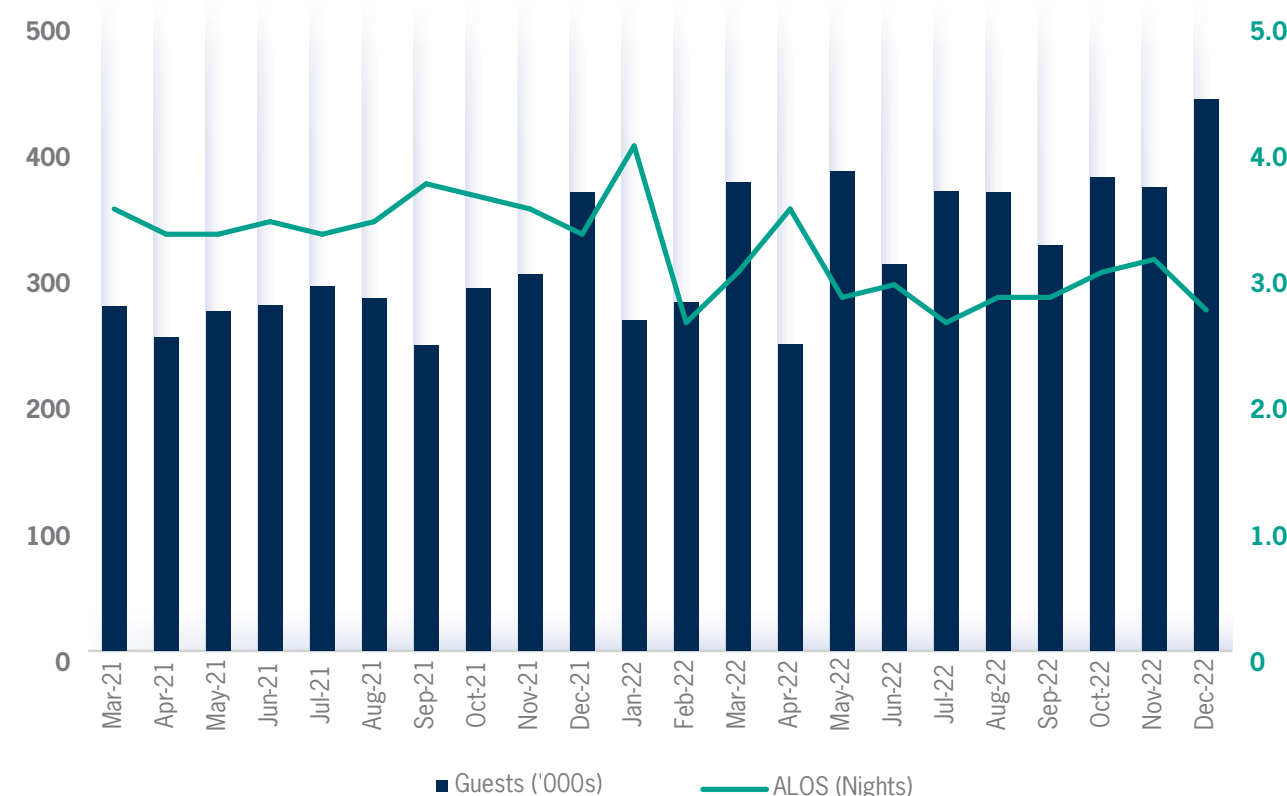
5-Star Hotels Occupancy Rate in Q4 2022



Occupancy Rate:

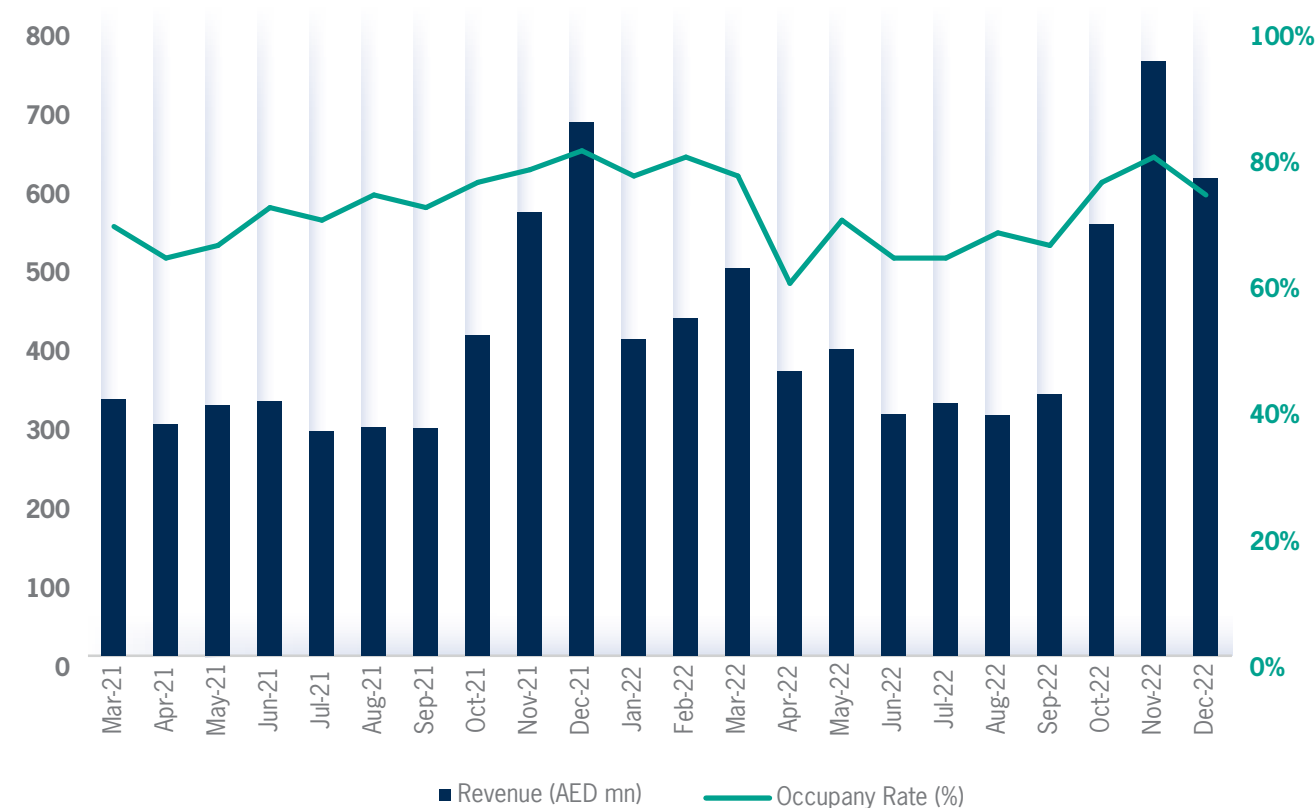
Abu Dhabi hotels witnessed notable decline in occupancy rate by 2% in Q4 2022 y/y, 5-star hotels registered the lowest occupancy rate at 70%, showing 6 percentage points below emirate level.

Hotel Guests ('000s) vs ALOS (Nights), 2021.03 - 2022.12



Source: DCT

Hotel Revenue (AED mn) vs Occupancy Rate (%), 2021.03 - 2022.12



Source: DCT

BANKING INDICATORS

Gross Credit:

Despite global tightening monetary policy, gross credit in the UAE's banking sector grew by 4.9% in Dec 2022. The surge was driven mainly by 11.7% influx in Abu Dhabi's gross credit, compared with 0.8% decline in Dubai.

Private Sector Credit:

Business & industrial sector loans (68% of overall private sector credit in AD) rose by 13.8% in Dec 22 compared with a decline of 6.2% in Dubai.

Business & Individuals (B&I) Credit:

Despite the rise in the cost of borrowing due to rising interest rates in UAE banks, loans to individuals in AD (33% of overall private sector credit) increased by 4.1% in Dec 22 (13.3% growth in Dubai)

Public Sector Credit:

Loans granted to GREs in Abu Dhabi dropped by almost 6% (y/y) in Dec 22, unlike the case in Dubai where GREs credit rushed by 19%. Yet government credit increased in Abu Dhabi by 18.2% in Dec 2022.

4.9%



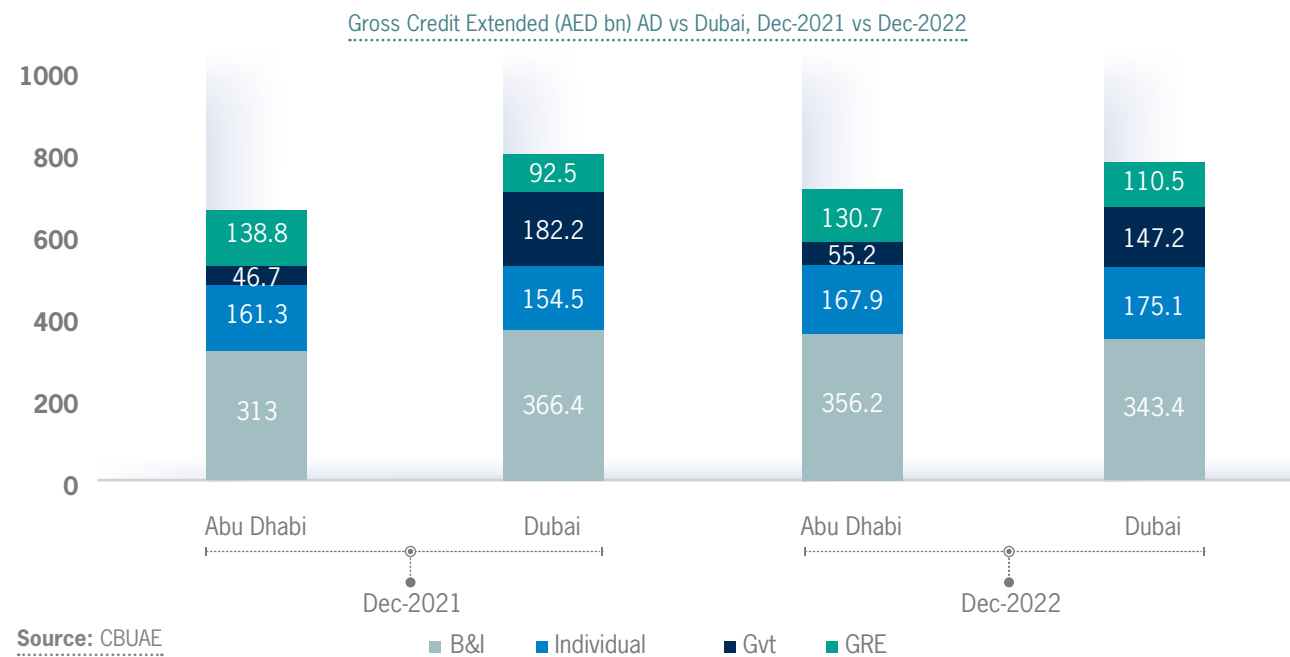
13.8%



4.1%



18.2%

SENTIMENT INDICATORS

Abu Dhabi Business Confidence Index (BCI):

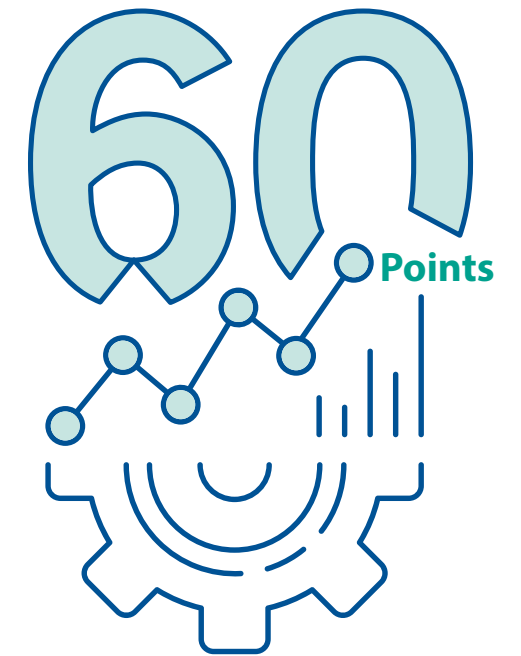
Business Climate Index improved in Q4 2022, driven by optimism in business situation appraisal and business expectation appraisal.

Current Situation Appraisal:

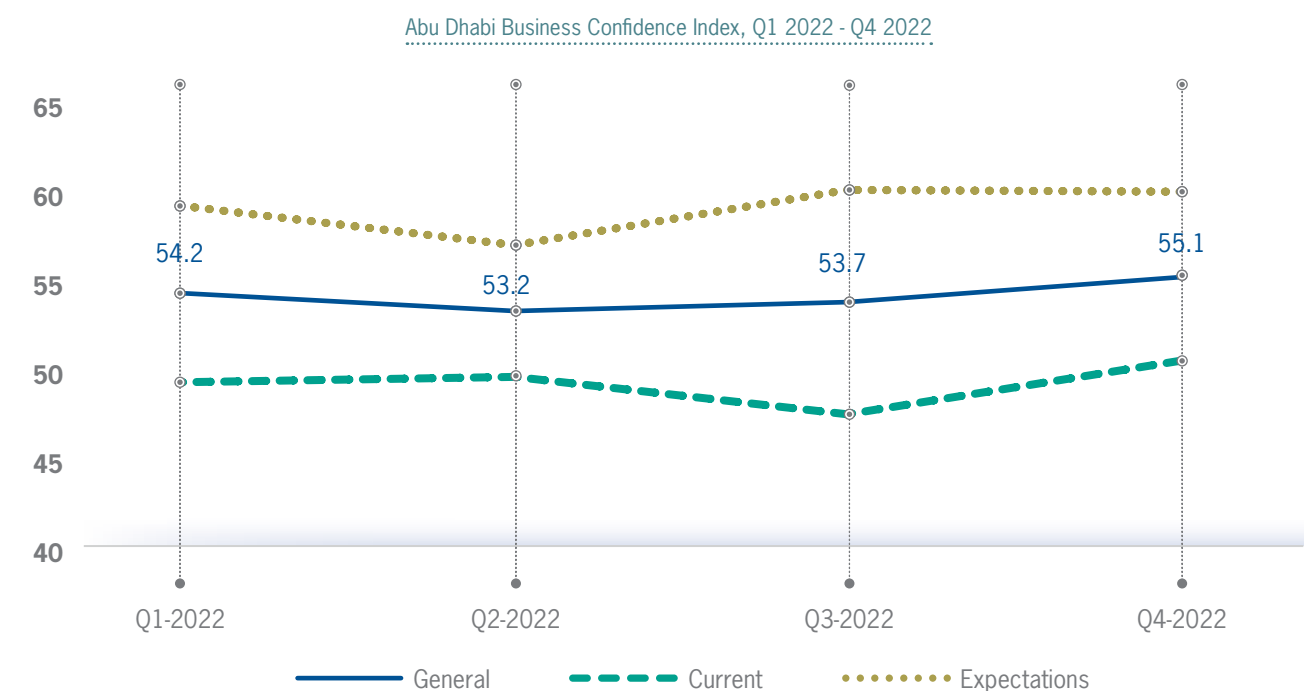
BCI current situation appraisal improved in Q4 2022 driven by increase in the number of purchase orders and employment.

Expectation Appraisal:

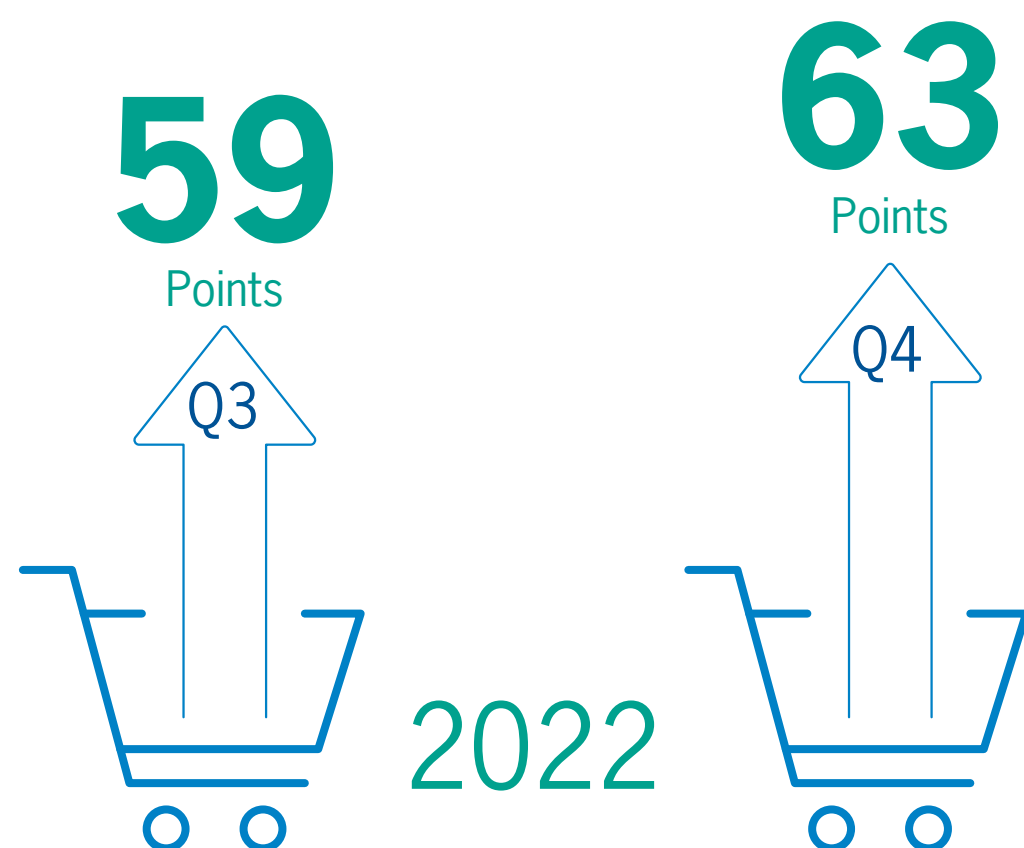
the index stood at (60 points) which reflects a high levels of confidence and optimism among business establishments regarding the prospects of Abu Dhabi economy in 1st quarter of 2023.



- Business Confidence Index improved in the Q4 2022, driven by optimism toward Business situation appraisal and Business expectation appraisal.
- Consumer confidence index improved in the Q4 2022, showing a high level of confidence and optimism for individual consumers in economic performance.



Purchasing Order Index in 2022

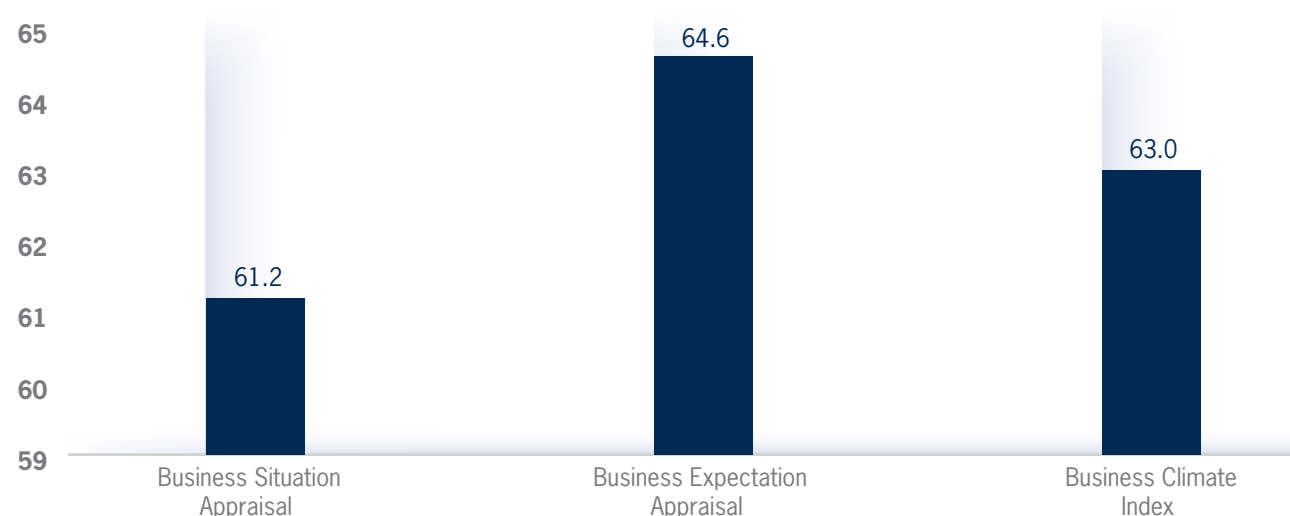


Purchasing Order:

the index shown a significant improvement in domestic demand. The purchasing order in the Q4 2022

reached 63 points compare with 59 points in Q3 2022, driven by optimism toward expectation appraisal of demand which score 64.6 point.

Abu Dhabi BCI of Purchasing Order, Q4 2022



Source: DED

Abu Dhabi Consumer Confidence Index (CCI):

The Consumer Confidence Index shown a significant improvement in the 4th quarter 2022 the index stood at 176 points up from 156 points in the 3rd quarter from the same year.

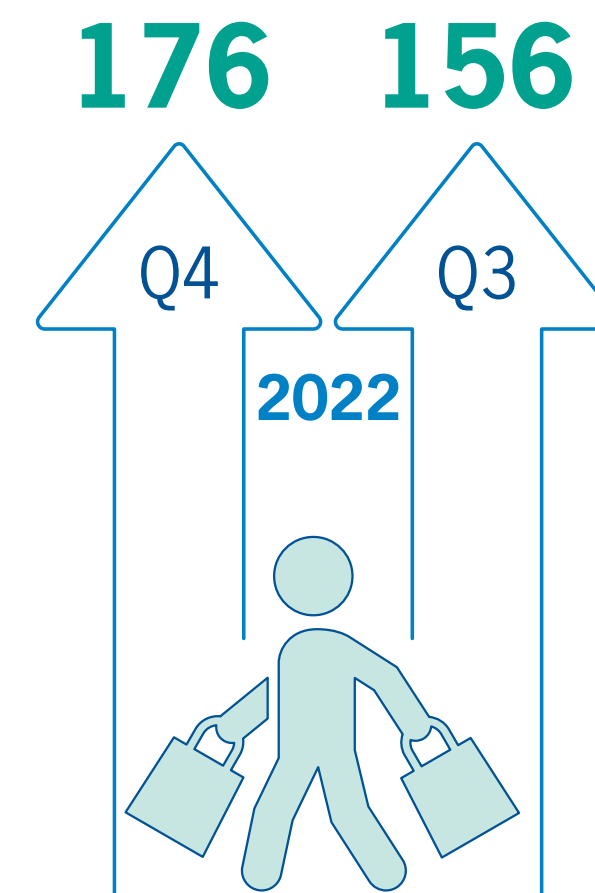
Current Consumer Confidence Index:

Consumers optimism increased significantly compared to the third quarter 2022 at 162 (123 point in Q3 2022) reflecting the growing improvement among living conditions post-pandemic.

Expectations Consumer Confidence Index:

Consumer optimism increased the index stood at 185 points in 4th quarter 2022 up from 178 points in the 3rd quarter from the same year. due to high expectations of improvement in standard of living and income along with better economic conditions and job opportunities.

General Consumer Confidence Index



Abu Dhabi Consumer Confidence Index, Q1 2022 - Q4 2022



Source: DED



دائرة التنمية الاقتصادية
DEPARTMENT OF ECONOMIC DEVELOPMENT

Abu Dhabi Department of Economic Development
Economic Strategy Sector