

UAE: Economic outlook and Banking Sector



UAE: ECONOMIC SITUATION AND BANKING SECTOR

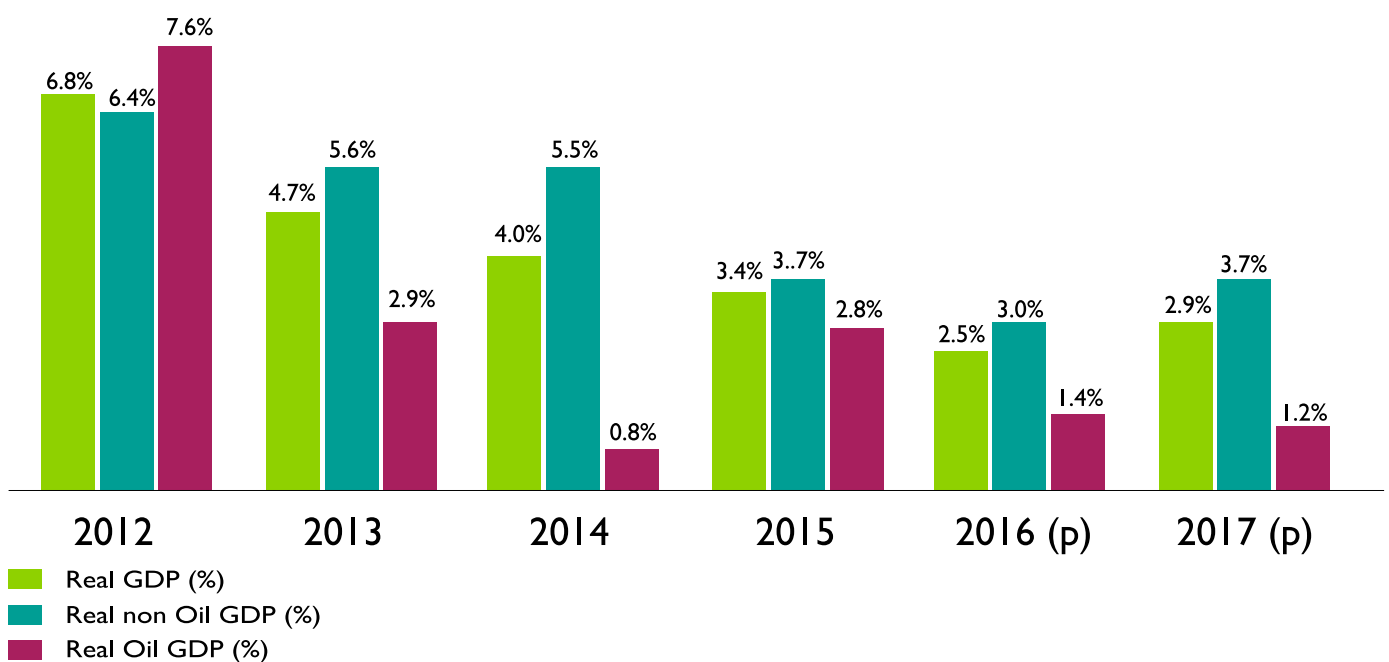
THE ECONOMIC SITUATION: FORECASTING OUTLOOK

The UAE's economy is holding its comfortable position among the best performing economies in the region. The country's more diversified economic base compared to that of neighboring Gulf countries has made the Emirates more resilient to the ongoing regional slowdown triggered by the crude slump.

Economic indicators

	2014	2015	*2016	*2017	*2018	*2019	*2020
GDP/capita (USD)	42,067	43,768	45,180	46,770	48,468	50,149	51,907
Nominal GDP (AED bn)	1476	1359	1402	1487	1583	1685	1809
Real GDP (AED bn)	1141	1184	1388	1469	1557	1660	1774
Economic Growth (real in %)	3.1	3.8	2.3	2.6	3.0	3.3	3.5
Public debt (% of GDP)	15.6	18.1	20.2	18.4	18.2	17.6	16.9
Unemployment rate (% of active population)	3.6	4.2	4.1	4.1	4.0	3.9	3.9

Source: focus economics/consensus forecast. UAE. November 2016, IMF.



Source: central bank

THE BANKING INDUSTRY IN THE UAE:

The United Arab Emirates banking industry has emerged as one of the most dynamic in the region, converting the country into a financial center for the Middle East. It also plays an important role in the country's economic development.

Banks financial Soundness Indicators in UAE (%)

	2009	2010	2011	2012	2013	2014	2015
Return on Asset (ROA)	1.4	1.3	1.5	2	1.5	1.7	1.8
Return on Equity (ROE)	10.9	10.4	11.4	11.5	11.6	13.6	-
Net Interest Margin (NIM)	56.6	60.8	64.8	66.9	72.4	75.7	-
NPLs to total loans (%)	4.3	5.6	7.2	8.4	8.2	7.0	6.2
Provisions to NPLs	85.0	89.0	90.0	85.1	94.1	102.0	-

Source: IMF Country report No.15/219. And central bank

Profitability of banks:

	2010	2011	2012	2013	2014	2015
Net Interest Income (NII) (b AED)	48.9	49.1	49.1	53.4	59.0	61.8
Net Interest Income (NII) (%)	9.4	7.7	7.7	8.0	14.9	7.0
Gross interest income/ gross loans	7.4	2.6	2.6	11.5	8.0	7.8

Source: central bank

Banks Performance in UAE

	2014	2015	*2016	*2017	*2018	*2019	*2020
Banks assets (% change)	9.7	4.8	6.8	6.7	7.4	7.3	7.7
Banks loans (% change)	6.2	5.9	6.6	6.5	7.5	7.5	8.2
Bank deposits (% change)	8.8	5.9	6.8	6.6	7.3	7.1	7.7
Domestic Credit Growth (%)	3.6	11.7	3.9	5.0	7.0	6.0	8.0
M2 growth (%)	8.0	5.5	3.6	4.8	5.0	8.4	10.2

Source: Economist Intelligence Unit forecasting. *projected

FINANCIAL INCLUSION IN UAE

According to the World Bank survey, 83% of the adult population had a bank account (either single or joint) in 2014, up from 60% in 2011. The prevalence of bank accounts increased across income levels and for both men and women. The same survey indicated that 32% of adults had saved money in a formal account in 2014, up from 19% in 2011.

	2014	2015	*2016	*2017	*2018	*2019	*2020
Total lending by financial sector (US\$ bn)	388.8	411.9	439.1	468.8	503.0	539.2	585.1
Total lending to the private sector (US\$ bn)	326.2	341.2	363.9	387.6	415.2	444.4	481.0
Deposits (US\$ bn)	294.6	311.9	332.9	354.6	380.3	407.7	439.3
Current-account deposits (US\$ bn)	102.7	108.6	115.6	123.0	131.5	140.4	150.6
Time & savings deposits (US\$ bn)	191.9	203.3	217.3	231.6	248.8	267.3	288.7

Source: Economist Intelligence Unit forecasting. *Projected