

**COUNTRY PROFILE:** EMIRATE OF DUBAI

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**CREDIT GUARANTEE:**

IES/02: ATTACHMENT A

<b>CGIC Rating</b>	<b>2B</b>
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#### **Recent Political Highlights**

- On January 4th, 2006, His Highness Sheikh Mohammed bin Rashid Al Maktoum became the Ruler of Dubai following the death of his elder brother Sheikh Maktoum bin Rashid Al Maktoum. The ruler of Dubai is also the Vice President and Prime Minister of the UAE. He has rolled out groundbreaking initiatives at an astonishing rate since he took the reigns.

#### **Recent Economic Highlights**

- The population of Dubai was estimated at 1.4 million in 2006 with only 17% being UAE nationals.
- Dubai has long sought to position itself as a financial capital, tourist mecca and trading centre in the Persian Gulf but that has not made it immune to the effects of the global crisis. Due to the economic downturn an increasing number of companies in Dubai are announcing layoffs and adjusting their hiring and pay practices as the impact of financial crisis grows in the emirate. Some foreign workers, mainly from the construction sector have packed their bags and left after losing their jobs. More than half the construction projects in the UAE, worth \$582bn have been put on hold, according to a market research firm, Prolead. Some projects are still going ahead, thanks in part to the \$10bn bailout from the UAE capital Abu Dhabi. A quick rebound is however expected in Dubai.
- Dubai's ruler insists his Gulf Emirate has recovered from the worst of the fallout from the global economic crisis as tourism remains strong, global trade stabilises and oil prices rise and he has defended the grandiose vision of the formerly booming city state. Growth in the UAE is forecast to fall to around 3% in 2009 and 1.6% in 2010, down from 7.4% in 2008. Dubai's economy grew 2% in Q1'09 compared to the same period in 2008, despite the global slowdown. The introduction of income tax has been ruled out.
- In September 2008 the UAE set up a \$13.6bn fund for the countries' banks to boost liquidity. In October it guaranteed bank deposits and said it would add another \$19bn into the banking system. In January 2009 the central bank cut its repurchase rate by 50 basis points to 1% to further reduce the cost of the liquidity supporting facilities implemented by the Central Bank to support banks. Dubai plans to raise another \$10bn this year through bond sales to provide funding and help its large-scale corporations repay their debts. Dubai has vowed to boost government spending by 42% to Dh37.7bn to help offset a sharp drop in private sector investment. Many of the additional funds are going towards infrastructure projects. The Government of Dubai has announced that it will run a budget deficit of Dh4.2bn this year to boost government spending to stoke economic growth.
- Tourism to the Emirate of Dubai grew 8% last year despite the global financial crisis. The number of tourists rose to 7.5 million in 2008, compared with 6.95 million in 2007. The number of overnight stays in 2008 rose 9.2% to 22.4 million compared to 20.5 million in 2007, while the average stay was 7.3 days. The tourist hub earned \$4.16bn from visitors last year. The number of hotels across the emirate increased to 493 compared with 444 in 2007. The tourism sector directly contributed 19% to Dubai's GDP and indirectly contributed 32%, up 2% from the previous year. Passenger numbers passing through Dubai International Airport (DIA) are still growing even as some of the world's airports witness a decline in traffic as international air travel navigates a rough patch. DIA saw its numbers increase by 9% to 37.4 million in 2008. In Q1'09 passenger traffic was 9.5 million, an increase of 2% over Q1'08. Transit traffic accounts for about 60% of the airport's passenger movement. Dubai airports will start operating a new airport in Jebel Ali in mid-2010 as part of the \$33bn Dubai World Central transport and logistics hub. The airport is being developed in phases and upon completion will have a capacity of 160 million passengers a year.
- Dubai has been ranked in top place out of 59 emerging market cities for the highest average residential property prices. As of February 2009 residential prices were around \$7,000 (Dh25,700) per square metre. Singapore was in second place with an average sale price of \$6,000. Within each city, districts are categorised according to six main district types on the basis of concentration of business, land valuation and access to key locations, among others. Dubai was classified as the top destination city in the world, surpassing the likes of London and Shanghai. In its position as the top destination city for FDI for 2008, Dubai attracted a total of 342 projects, had \$21bn for capital investment and created over 58,000 new jobs.
- Around 20% of residential housing units may not come on to the market as expected in 2009 because of market conditions. Around 29,313 units hit Dubai's market in 2008. Approximately 31,003 units were anticipated to come on stream this year. However in order to keep the supply situation in balance in the current financial climate, delays and rescheduling could decrease this number by 20%. There has been a drop in the value of transactions by 45% and the numbers of developers has since dropped from 800 to about 427. 25% of projects are not expected to start on time and are expected to be put on hold given the difficult market conditions. The Real Estate Regulatory Authority (Rera) will plot the progress of every single project underway in Dubai on their website so that transparency and trust of the Emirate is not compromised.
- A number of British based investors are calling on the UK Government to get involved, in what they say has been a clear mismanagement of their investments by Dubai developers. A number of investors have grouped together and sent a petition to British Prime Minister Gordon Brown, in which they ask him to intervene in what they see as harmful real estate dealings in the Emirate. It is estimated to be around Dh 4.7 billion of British money is currently invested in Dubai real estate, making up some 12% of the foreign real estate investors active in the Emirate. British investors rank 3rd, behind Saudi and Indian investors, so the call for the British government to get involved could potentially affect the market in a large way.

#### **Latest Trade Developments**

- Major trade partners: Japan, South Korea, Thailand, India, China, US and Germany.
- South African exports to the UAE totaled R6.3bn in 2008 and R567.7m in the year-to-February 2009.
- Dubai's trade figures show that export earnings rose by 57.5% in 2008 compared with 2007, reaching Dh42.6bn. Dubai gold imports went up by 15% to 140 tons in Q1'09 compared with the same period last year as the bullion attracted more investor interest in volatile global economic conditions. Dubai exported 116 tons of gold during the January to March period. The value of first-quarter gold trade rose \$7.4bn compared with \$7bn in the corresponding period last year. The average gold price Q1'09 stood at \$908 per ounce. In March, Dubai launched an exchange-traded gold security in partnership with the World Gold Council. Dubai's jewellery sales fell 40-60% in Q1'09 compared with the previous quarter amid weak consumer demand.
- The UAE has banned the import and sale of pork in the country as a precautionary measure against swine flu. The ban covers cooking pork in hotels.