

**EXECUTIVE  
BOARD  
MEETING**

SM/21/190  
Correction 1

November 19, 2021

To: Members of the Executive Board  
From: The Secretary  
Subject: **United Arab Emirates—Selected Issues**

Board Action: The attached correction to SM/21/190 (11/9/21) has been provided by the staff:

**Factual Errors Not  
Affecting the  
Presentation of  
Staff's Analysis or  
Views**

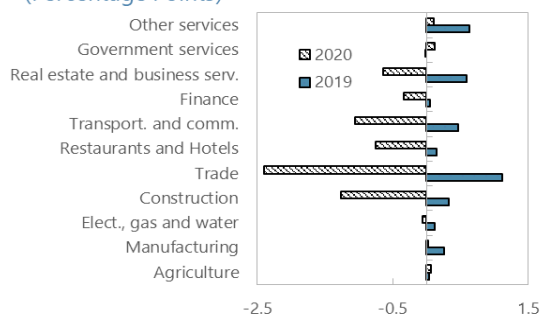
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Questions: Mr. Al-Eyd, MCD (ext. 37884)



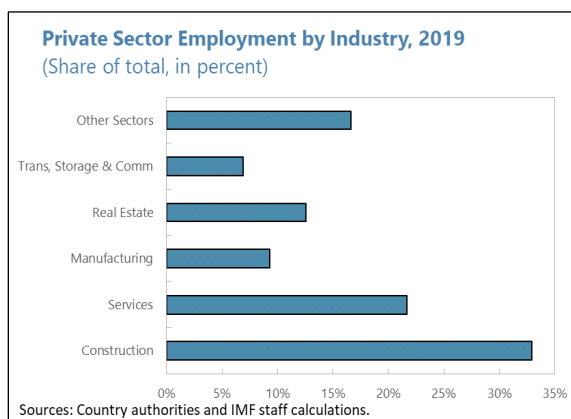
- *TFP losses and spillovers.* The accommodation and food service activities, ~~transportation and storage~~, wholesale and retail trade, and construction sectors all saw double-digit growth declines in 2020. These are also the sectors that employ a large share of private sector employees. Spillover effects from these hard-hit sectors could hurt productivity in connected firms, while the exit of firms that are no longer viable could lead to the loss of “know-how,” resource misallocation, and a decline in competition. Balance sheet weaknesses would also significantly hinder firms’ ability to invest in R&D and innovation.

**Real GDP Growth by Industry**  
(Percentage Points)



Sources: Country authorities and IMF staff calculations.

- *Loss of human capital and labor force.* The crisis has had uneven effects on labor markets. Employment declines have been significant among lower-skilled workers. The pandemic has also likely had a long-lasting effect on future economic opportunities for women and youth, risking inferior reemployment prospects and a persistent drop in income. In addition, the UAE’s population decreased by 2.3 percent in 2020 (the first decline in 20 years), with anecdotal evidence pointing to the departure of many expatriates. The combined effects of accelerated automation, the growing “double shift”, and other labor market dynamics, such as occupational segregation, could also add strains to the labor market.<sup>3</sup>



Sources: Country authorities and IMF staff calculations.

- *Weak investment and resource misallocation.* Long-lasting effects through the physical capital channel could occur if a persistent shrinkage of high-contact sectors results in sector-specific capital being stranded, while the increase in corporate leverage could hamper future investments.

**4. The UAE’s macroeconomic policy support and relatively high level of digitalization are helping to mitigate some risks of long-lasting crisis effects, including relative to other Emerging Markets and Developing Economies (EMDEs).** Macroeconomic stimulus measures in 2020-21 to hard-hit sectors and structural reforms under the UAE 2050 Strategy will help to alleviate some of the medium-term output and employment losses, while a transformation of the workplace through further digitalization, fintech, and e-commerce are likely helping to offset some of the

<sup>3</sup> The COVID-19 crisis has accelerated automation and digitalization, speeding up labor market disruption (WEF 2020). Data points to significant challenges for gender parity in the future of jobs due to increasing occupational gender-segregation. Only two of the eight tracked “jobs of tomorrow” clusters (People & Culture and Content Production) have reached gender parity, while most show a severe underrepresentation of women. Gender gaps are more likely in sectors that require disruptive technical skills. For example, in Cloud Computing, women make up 14 percent of the workforce; in Engineering, 20 percent; and in Data and Artificial Intelligence (AI), 32 percent.