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May 2, 1984

To: Members of the Executive Board
From: The Secretary
Subject: United Arab Emirates - Staff Report for the
1984 Article IV Consultation

Attached for consideration by the Executive Directors is the staff report for the 1984 Article IV consultation with the United Arab Emirates, which will be brought to the agenda for discussion on a date to be announced.

If Executive Directors have technical or factual questions relating to this paper prior to the Board discussion, they should contact Mr. Tomasson (ext. 73392) or Mr. Hosny (ext. (5)7114).

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INTERNATIONAL MONETARY FUND

UNITED ARAB EMIRATES

Staff Report for the 1984 Article IV Consultation

Prepared by the Staff Representatives for the
1984 Consultation with the United Arab Emirates

Approved by A.K. El Selehdar and Subimal Mookerjee

May 1, 1984

I. Introduction

The 1984 Article IV consultation discussions with the United Arab Emirates (U.A.E.) were held in Abu Dhabi, Dubai, and Sharjah during the period March 14-21, 1984. The federal authorities were represented by the Governor of the Central Bank and by senior officials of the federal Ministries of Finance and Industry, Petroleum and Mineral Resources, Planning, Agriculture and Fisheries, and Labor and Social Affairs. Discussions were also held with senior officials of the Emirates of Abu Dhabi, Dubai, and Sharjah. The staff team was composed of Messrs. A.K. El Selehdar (Head), J.G. Borpujari, M. Hosny, and G. Tomasson, and Mrs. A.L. Yates (Secretary), all of MED. The U.A.E. accepted the obligations of Article VIII, Sections 2, 3, and 4 of the Articles of Agreement on February 23, 1974.

II. Background

The U.A.E. was established in 1971 as a federation of seven Emirates. The two largest Emirates, Abu Dhabi and Dubai, 1/ account for the major part of the U.A.E.'s oil and gas production, which is the mainstay of its economy. The planned development of recently discovered fields of gas and oil condensates in some of the other Emirates is expected to strengthen significantly the economic position of the Emirates concerned, although the size of the fields is modest relative to those of Abu Dhabi and Dubai whose combined oil production capacity is believed to be close to 3 million barrels per day (mbd). Under the provisional federal constitution, each Emirate retains autonomy with respect to its oil and gas sector policies. However, responsibility for many other aspects of economic policy as well as for health, education, and other social services has increasingly been transferred to the Federal Government, which is dependent for most of its financial resources on contributions to its budget by the Emirates of Abu Dhabi and Dubai.

1/ The five other Emirates are Ajman, Fujairah, Ras Al Khaimah, Sharjah, and Umm Al Qaiwain.

During the decade following the establishment of the U.A.E., rapidly growing oil export earnings made possible large-scale public sector investment in the country's basic economic and social infrastructure and in several capital- and energy-intensive industrial projects accompanied by private sector investment in the trade, services, and construction sectors. Concurrently, the increase in economic activity gave rise to a proliferation of banking institutions and led to a rapid growth in the expatriate labor force. During 1977, the U.A.E.'s financial system experienced a number of difficulties, in response to which the country's Currency Board was transformed into a Central Bank in 1980, with greatly enhanced powers of bank regulation and supervision. By the late 1970s, there had emerged growing concern among the U.A.E. authorities about the increase in the country's expatriate population, leading to a gradual tightening of immigration policies.

Oil production in the U.A.E. rose steadily in the early 1970s, reaching a peak of 2 mbd in 1977. Thereafter, however, production declined at first due to conservation policies but later in response to developments in the world oil market; oil production averaged 1.27 mbd in 1982, representing a decline of 15 percent from the average of the preceding year. The resulting decline in oil export earnings led to a reduction in domestic budget expenditures in 1982; consequently, real output growth in the economy's non-oil sector declined to 6-7 percent during the year, having averaged about 13 percent per annum during 1979-81. The increase in the non-oil GDP deflator is estimated at 8 percent in 1982 compared with increases estimated at about 7 percent and 11 percent in 1980 and 1981, respectively.

Consolidated budget data for the Federal Government and for the Emirates of Abu Dhabi and Dubai show a doubling of oil revenues between 1978 and 1980, as rising oil export prices more than offset a 6 percent decline in oil production between the two years. By 1982, however, oil revenues had declined some 22 percent from their level in 1980 in the face of a one-third fall in oil production. On the expenditure side, total government outlays were on a sharply rising trend through 1981, reflecting largely increased current expenditures, foreign aid, and government loans and equity participation. In 1982, however, total budget expenditures were cut by 7 percent, with the brunt of adjustment being borne by foreign aid and official loans and equity participation. Nevertheless, the overall budget was in deficit in 1982 for the first time in recent years; at Dh 3.3 billion, the deficit was the equivalent of 3 percent of GDP. Reflecting mainly the growth of government budget expenditures, domestic liquidity rose by about 24 percent and 16 percent in 1981 and 1982, respectively, with the rate of increase in bank credit to the private sector declining from about 19 percent to 5 percent between the two years.

The U.A.E. has recorded large surpluses on external current account (goods, services, private transfers, and official grants) in recent years, the surplus for 1982 amounting to about US\$7 billion compared with about US\$9-10 billion in each of the two preceding years. A major

part of the surpluses accrued to Abu Dhabi and was invested abroad by the Abu Dhabi Investment Authority, whose total foreign assets are substantial (probably in excess of US\$20 billion at the end of 1982). At the same time, the Central Bank's foreign assets amounted to US\$3.4 billion, equivalent to about five months' imports at the 1982 level; the net foreign asset holdings of the U.A.E.'s commercial banks amounted to US\$2.3 billion at end-1982. Holdings of foreign assets by the private nonbank sector are also believed to be substantial. Available information suggests that neither individual Emirates nor the Federal Government itself has external debt outstanding in amounts which are significant relative to their respective net foreign asset holdings.

Analysis of economic developments in the U.A.E. is hampered by important data gaps and lack of currentness of certain statistical information. For the oil and gas sector, official output, export, and price data are available only with a time lag of about one year. National accounting is in an early stage of development, domestic price indices are not compiled, and detailed budget data are available only for the Emirates of Abu Dhabi and Dubai and for the Federal Government; in the case of Dubai, however, budget data do not show oil and gas sector revenues except to the extent that they are used to finance each year's budget expenditures. Monetary statistics, on the other hand, are both comprehensive and available with a minimal time lag. In the external sector, balance of payments statistics need to be improved, especially with respect to services, transfers, and capital transactions. No data are available on outstanding foreign debt or on total foreign asset holdings by the Emirate authorities. Only the gold, foreign exchange, and other reserve assets of the Central Bank are treated by the authorities as the U.A.E.'s official reserves.

III. Report on the Discussions

1. Economic activity and employment

Following a period of rapid growth fueled by the increase in government expenditures since 1979, economic activity in the U.A.E. has been on a declining trend in the recent past. With oil and gas export earnings declining by 20 percent between 1980 and 1982, and falling further by 20 percent in 1983, total government budget expenditures were cut by 22 percent between 1981 and 1983; excluding foreign aid, official loans, and equity participation, however, other expenditures rose marginally in 1982 but declined by 8 percent in 1983, as the authorities sought to align total expenditures more closely with current revenues. The restrictive stance of budget expenditure policies was the principal factor in a marked slowdown in economic activity beginning in the second half of 1982 with the real output in the non-oil sector estimated to have declined by about 2 percent in 1983 compared with the 1982 increase of 6-7 percent. The recessionary effects of reduced government budget expenditures have been felt in most areas of economic activity, with trade, transportation, finance, real estate, and government

services being most affected in 1983. Concurrently with the onset of a slack in economic activity and the continued appreciation of the U.A.E. dirham's exchange rate, inflationary pressures have been eliminated, with the domestic price level estimated to have declined marginally in 1983 compared with its increase of about 8 percent in the preceding year.

The U.A.E. representatives indicated that any substantial recovery of domestic economic activity was contingent on increased oil and gas production and exports. Crude oil production, including condensates, declined by about 9 percent in 1983, to 1.16 mbd, with most of the decline being absorbed by the Emirate of Abu Dhabi; the U.A.E.'s OPEC production quota for crude oil alone has been 1.1 mbd since March 1983. The U.A.E. representatives noted that the 60,000 barrels a day (b/d) extension of the Umm al Nar refinery had come on stream in April 1983, bringing the U.A.E.'s total refining capacity to 180,000 b/d, and transforming the country into a net exporter of refined oil products. Current oil and gas exploration and field development plans, it was noted, call for a continued high level of activity despite the recent slack in world demand for oil and gas products. The original development program for Abu Dhabi's Upper Zakum field was completed in 1983; currently, production from the field is 60,000 b/d compared with total capacity of about 0.5 mbd. Also, in 1983 the Abu Dhabi National Oil Company (ADNOC) initiated an ambitious five-year program of further exploration and field development, while seven new concession agreements were concluded by the Emirate of Dubai between October 1982 and November 1983.

In response to a question, the U.A.E. representatives stated that the principal objective of current oil and gas exploration and field development plans was to obtain greater knowledge of the country's production potential as well as to enhance flexibility for output policy in the event of increased world market demand. Also, several existing fields required substantial investments so as to maintain their productivity. In this connection, it was noted further that oil production costs, which have been relatively high in the U.A.E., had increased further during 1983, especially in Abu Dhabi, whose Upper Zakum field requires extensive water injections to compensate for low field pressure.

With respect to manpower policy and planning, the U.A.E. representatives stated that the presence of a large expatriate labor force in the country was causing social problems as well as substantial financial costs in the form of government budget expenditures on heavily subsidized services such as education and health. It was expected, however, that the size of the expatriate labor force would decrease in the period ahead as demand for labor declined in response to reduced government outlays on infrastructure and other development projects. While nationals of other member countries of the Gulf Cooperation Council (GCC) were free to enter the U.A.E. for employment purposes, other non-nationals were subject to various visa and other restrictions aimed at limiting their stay in the U.A.E. to the duration of the specific employment for which they had originally been authorized to enter the country.

2. Fiscal and monetary policies

The review of fiscal developments and policies in the U.A.E. comprised separate discussions with officials of the Emirates of Abu Dhabi, Dubai, and Sharjah and of the Federal Government. Apart from certain differences in the details of recent developments arising from the special circumstances of each unit of government, the stance of expenditure policy has in all cases been generally one of restraint and retrenchment in response to the decline in budget oil revenues since 1981 and the completion of major development projects initiated in earlier years.

Budget oil revenues fell by 24 percent in 1983, to a level 42 percent below that of 1981, having previously increased almost twofold during 1979-81 (Table 1). With other revenues showing little net change, total budget revenues declined by 22 percent in 1983, compared with the decline of 23 percent recorded in the preceding year. The U.A.E. representatives indicated that it was necessary for orderly fiscal management to have budgetary expenditures move on a smoother path than that of budget revenues, whose level was subject to substantial yearly changes in line with developments in the world oil market. Thus, the consolidated budget was in large overall surplus during 1979-81, when oil revenues were on a rising trend, followed by substantial overall deficits (equivalent to 3-5 percent of GDP) in the face of falling oil revenues in both 1982 and 1983. While budget plans for 1984 had not been finalized, the U.A.E. representatives indicated that total expenditures were not expected to change much from the 1983 level; given present expectations with respect to oil revenues, it was likely that the consolidated budget would show an overall deficit in 1984 of a magnitude similar to that of 1983.

Concerning current budget expenditures, the U.A.E. representatives indicated that, although they had shown little change in the aggregate during 1982 and 1983, a somewhat different picture emerged if federal subsidies and transfers were excluded as these had declined sharply after 1981. With this adjustment, other expenditures had increased by about 11 percent in 1982, followed by a marginal decline in 1983. The bulk of the decline in subsidies and transfers between the two years reflected the near-elimination of petroleum product subsidies in March 1983. As for other current expenditure items, it was noted that government wage and salary rates had been unchanged in both 1982 and 1983 and were expected to remain so in 1984.

The brunt of domestic spending adjustment in 1983, the U.A.E. representatives indicated, had been borne by development expenditures which declined by about 17 percent during the year, reflecting the completion of many major projects and some slowdown in the pace of implementation of ongoing ones. Substantial cuts had also been made in foreign loans and grants in both 1982 and 1983, while foreign equity participation was lower due to the completion in 1981 of major capital subscriptions to international development agencies. Finally, it was explained that the 51 percent decline in domestic loans and equity participation between 1982 and 1983 was largely due to the completion of agreed funding programs for certain public sector enterprises and financial institutions.

Table 1. U.A.E.: Consolidated Government Budget, 1979-83

(In millions of dirhams)

	1979	1980	1981	1982	1983
Revenues	<u>28,666</u>	<u>46,723</u>	<u>48,785</u>	<u>37,543</u>	<u>29,216</u>
Oil ^{1/}	<u>26,936</u>	<u>44,597</u>	<u>45,913</u>	<u>34,709</u>	<u>26,475</u>
Other	1,730	2,126	2,872	2,834	2,741
Expenditures	<u>26,113</u>	<u>37,170</u>	<u>43,787</u>	<u>40,852</u>	<u>34,297</u>
Current, of which:	<u>11,847</u>	<u>18,179</u>	<u>22,212</u>	<u>22,075</u>	<u>20,584</u>
Federal subsidies and transfers	(274)	(1,372)	(1,754)	(1,643)	(691)
Development	8,954	8,294	9,509	10,362	8,564
Domestic loans and equity	1,487	2,585	2,203	2,348	1,153
Foreign equity	487	630	554	88	282
Foreign grants and loans	3,338	7,482	9,309	5,979	3,714
Surplus or deficit (-)	<u>2,553</u>	<u>9,553</u>	<u>4,998</u>	<u>-3,309</u>	<u>-5,081</u>

Sources: Ministry of Finance and Industry, Abu Dhabi Department of Finance, Dubai Central Accounts Section, Dubai Municipality, and staff estimates.

^{1/} Excludes oil revenues retained by the Rulers and by ADNOC.

Turning to monetary developments, the U.A.E. representatives noted that the recent slack in economic activity had been reflected in a sharp deceleration in domestic liquidity expansion to only 8 percent in 1983 compared with the 1982 rate of about 16 percent. Bank claims on the private sector had increased by approximately 5 percent in both 1982 and 1983, compared with a 19 percent increase in 1981, and there had been an actual decline (6 percent) in the narrow money component of domestic liquidity in 1983 as depositors shifted their balances into interest-earning accounts. The principal expansionary factor in 1983, it was noted, was the drawdown of government deposits with the banking system to finance the budget deficit, while the net foreign asset position of the banking system had exerted a contractionary impact on domestic liquidity in 1983 for the first time in a decade. Commenting on these developments, the staff representatives observed that the monetary statistics failed to reveal the primary role played by the injection of purchasing power into the domestic economy through the government budget. Thus, net claims on Government had been contractionary in the period 1979-81, when actual net domestic expenditures (i.e., domestic expenditures minus domestic revenues) were increasing, while such claims

had been expansionary in both 1982 and 1983, when the trend of such expenditures was in the opposite direction. However, available data did not permit an alternative presentation of the factors affecting domestic liquidity expansion whereby the economic weight of net domestic expenditures by the Government would be reflected more accurately.

The staff representatives observed that balance sheet data showed a significant strengthening of the commercial banking system's capitalization in recent years, the ratio of capital and reserves to total assets having increased from about 10 percent in 1978-80 to 14.5 percent in 1983. Concurrently, the system's liquidity position had also improved substantially, as reflected in an increase in the ratio of reserves and foreign assets to total liabilities from about 35 percent in 1978 to about 48 percent in 1983. The U.A.E. representatives indicated that this general improvement in the structure of commercial bank assets and liabilities masked certain weaknesses among some smaller banks, whose funding and liquidity position remained inadequate.

In the area of bank regulation and supervision, the U.A.E. representatives stated that commercial banks had been required in 1983 to comply with a Central Bank directive that loans to individual bank directors not exceed 5 percent of each bank's capital and that total loans to a bank's board of directors be limited to no more than 25 percent thereof. While most banks had been able to comply with these limits, the Central Bank and the Dubai Government had been obliged to undertake a joint rescue operation for the U.A.E.'s third largest commercial bank, whose liquidity position had come under serious pressure as a result of extensive real estate and other loans made to one of the bank's directors. This successful operation, the U.A.E. representatives added, reflected the recognition by all parties concerned of the importance of adequate control and supervision by the Central Bank over commercial bank operations.

Concerning the future evolution of domestic banking, the U.A.E. representatives noted that it had been agreed at a meeting among Central Bank governors of all Arab countries in 1982 that relevant laws and regulations should be amended as necessary to facilitate the growth of commercial banking along lines consistent with Islamic principles. One Islamic bank was already operating successfully in the U.A.E., and the authorities intended to encourage the creation of additional such banks. In so doing, they would be responding to the prevailing perception among a large segment of the population that Islamic banking was more community-oriented than conventional commercial banking, providing financial resources for communal investment in such activities as trade and light industry.

3. External sector

Balance of payments developments in 1983 were marked by a continued decline in oil and gas export earnings to a level (US\$12.7 billion) 35 percent below that of 1981, while import payments (US\$7.9 billion) were lower by 8 percent. In the services account, a decline in net investment

income (to US\$1.6 billion) was approximately matched by a fall in outward private transfers (to US\$1.9 billion), while there was a 5 percent increase in net other services payments (to US\$2.3 billion). Allowing also for a relatively small increase in non-oil exports and a similar decline in official grants, the surplus on current external account declined by about one third from the preceding year's level to US\$4.5 billion in 1983. The deficit on capital account (US\$4.9 billion) was narrower than in 1982, reflecting mainly reduced private capital outflows (included in the errors and omissions item). Overall, however, the balance of payments recorded a small deficit in 1983 (US\$0.4 billion), following a decade of surpluses.

The U.A.E. representatives stated that balance of payments developments in 1984 were expected to be broadly in line with the outcome in 1983, assuming that both oil and gas export volume and prices remained approximately unchanged from current levels. On the import side, however, a small decline was anticipated on account of recent stock accumulation and the continued slack in domestic economic activity. While detailed projections had not been made for individual items, the deficit on services account was projected to be somewhat lower than in 1983 due to an expected decline in private transfers as well as to somewhat higher net investment income. Assuming also that official grant payments will decline marginally during the year, the surplus on external current account was tentatively projected to increase by US\$1.0 billion over the 1983 level to US\$5.5 billion in 1984.

The U.A.E. representatives indicated that the reserve and foreign asset management policies of the Central Bank and the Abu Dhabi Investment Authority continued to give priority to investment security as well as to rates of return; in the case of the Central Bank, special emphasis was also placed on the liquidity of its foreign asset portfolio. While the U.A.E. dirham continued to be officially pegged to the SDR, a de facto U.S. dollar peg had been in effect since November 1980. During 1983, the nominal effective exchange rate of the dirham appreciated by 8.3 percent against a basket of 33 currencies of trading partners; at the end of December 1983, the dirham's exchange rate against the SDR was 19.3 percent above the official peg-value. In the exchange and trade system, the only significant change since the 1983 consultation discussions was the imposition in November 1983 of a 4 percent general import tariff consistent with an agreed GCC policy on minimum import tariffs. Previously, most U.A.E. imports had been duty free or subject to lower tariff rates. There are no exchange restrictions on international transactions in the U.A.E.

IV. Staff Appraisal

Economic activity in the U.A.E. is closely related to the level and trend of net domestic expenditures in the government budget, which in turn is influenced significantly by the amount of budget revenues derived from export earnings in the oil and gas sector. Thus, the U.A.E. economy has been marked by a pronounced slowdown in non-oil sector activity since the second part of 1982, reflecting primarily the adoption of restrictive

fiscal policies in response to a 34 percent decline in oil and gas export earnings between 1981 and 1983. Although the surplus on current account of the U.A.E.'s balance of payments fell by one half between 1981 and 1983, it was still sizable (US\$4.5 billion) in the latter year and is expected to remain so in 1984.

In the view of the staff, the stance of fiscal policy has been generally appropriate in recent years, with large budget surpluses during the period of rising budget revenues in 1979-81 being followed by substantial deficits in the face of declining revenues in 1982 and 1983; present expectations are that the fiscal outcome in 1984 will be similar to that of 1983. Although the recent curtailment of total budget expenditures has entailed difficult adjustment problems in the domestic economy, the staff is of the view that the uncertain outlook for budget oil revenues does not allow for more expansionary policies in the foreseeable future; in the medium term, moreover, consideration should be given to diversifying the revenue base by raising present low tariffs for electricity and other government services. Considering also that budget expenditures were on a rapidly rising trend prior to 1982, the recent reversal thereof would seem to have provided a welcome occasion for re-evaluating expenditure priorities and improving the efficiency of resource allocation. In this connection, the staff notes especially the significant savings in budget subsidies resulting from the increase in domestic petroleum product prices in March 1983.

The recent stagnation of domestic economic activity has given rise to some concern about the ability of borrowers from the commercial banking system to service and repay outstanding credits, most of which have been extended in the form of overdrafts. In the aggregate, however, the very substantial improvement in the banking system's capitalization and overall liquidity position in recent years suggests that isolated repayment problems could probably be managed. In this respect, the staff believes that the Central Bank's successful enforcement in 1983 of strict limits on credit extended by commercial banks to their directors was an important step toward more effective supervision and regulation of commercial bank operations in the U.A.E. However, the staff is of the view that steps might also be taken to reduce the share of total bank credit extended in the form of customer overdrafts.

The staff considers the exchange rate policy of the authorities to have been generally appropriate and notes that the U.A.E.'s exchange and trade system is virtually free of restrictions and that import duty rates are generally low. Although official foreign grants and loans declined from US\$2.7 billion in 1981 to US\$1.2 billion in 1983, it still represented close to 5 percent of GDP and nearly 6 percent of export receipts in the latter year. The staff commends the U.A.E. authorities for their generous foreign aid policies and hopes that these will be continued in the period ahead.

Consistent with the wishes of the authorities, it is recommended that the next Article IV consultation with the U.A.E. be held on the standard 12-month cycle.

U.A.E. - Fund Relations

(As of March 31, 1984)

(Amounts in millions of SDRs, unless otherwise indicated)

I. Membership Status

Date of membership September 22, 1972

Status Article VIII

(A) Financial Relations

II. General Department (General Resources Account)

Quota: SDR 202.6 million; the U.A.E. authorities did not consent to the proposed increase in quota to SDR 385.9 million under the Eighth Review of Quotas.

Total Fund holdings
of U.A.E. dirhams: SDR 89.28 million, equivalent to 44.07 percent of quota.

Reserve tranche position: SDR 113.3 million.

	<u>Limits</u>	<u>Out- standing</u>	<u>Uncalled</u>
Lending to the Fund: SFF		100.64	

III. SDR Department

Net cumulative allocation: SDR 38.74 million

Holdings: SDR 61.98 million and 160.01 percent of net cumulative allocation.

IV. Country has not used Fund resources to date

B. Nonfinancial Relations

V. Exchange Rate Arrangement:

Since January 1978 the U.A.E. dirham has been officially pegged to the SDR at the rate of Dh 4.76190 = SDR 1; the margins were increased from 2.25 percent to 7.25 percent on August 15, 1978. After November 1980 the U.A.E. dirham has effectively been pegged to the U.S. dollar; on December 31, 1983 the dirham's exchange rate against the SDR was 19.3 percent above the official peg value. As of April 1, 1984, the mid-point between buying and selling rates for the dirham against the U.S. dollar was DH 3.6710 = US\$1.

VI. Last Article IV Consultation:

March 1983; the Staff Report (SM/83/97) was discussed by the Executive Board (EBM/83/84) on June 13, 1983. The summing up indicated that the next Article IV consultation would be held on the standard 12-month cycle.

VII. Technical Assistance:

Under the Fund's CBD program, the U.A.E. Central Bank was assisted by a General Policy Advisor until October 1982. Currently, two CBD experts, one appointed on August 30, 1982 as advisor on foreign exchange and investments, and the other on September 3, 1982 as advisor on bank supervision and examination, are working under the same program for a second one-year term that is expected to be renewed.

United Arab Emirates - Basic Data

Area	77,000 square kilometers			
Population (1983 estimate)	1,300,000			
GDP per capita (1983 estimate)	US\$20,563			
	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>
	<u>(In millions of barrels)</u>			
Crude oil production	<u>626</u>	<u>548</u>	<u>462</u>	<u>423</u>
Abu Dhabi	<u>494</u>	<u>414</u>	<u>329</u>	<u>288</u>
Dubai	<u>128</u>	<u>131</u>	<u>131</u>	<u>122</u>
Sharjah	<u>4</u>	<u>4</u>	<u>3</u>	<u>14</u>
	<u>(In billions of dirhams)</u>			
National accounts (at current prices)				
Private final consumption	19.0	23.9	26.8	28.2
Government final consumption	12.0	19.5	22.9	21.4
Gross fixed investment	30.1	29.0	32.2	30.1
Change in stocks	1.0	2.8	1.9	1.6
Domestic expenditure	<u>62.1</u>	<u>75.2</u>	<u>83.9</u>	<u>81.2</u>
Exports, goods, and nonfactor services	85.6	84.9	69.9	56.2
Imports, goods, and nonfactor services	-37.9	-40.8	-40.2	-39.3
Gross domestic product (market prices)	<u>109.8</u>	<u>119.3</u>	<u>113.6</u>	<u>98.1</u>
	<u>(Rate of change)</u>			
Real gross domestic product				
Crude oil	-5	-11	-13	-15
Other	16	15	7	-2
Total GDP	6	3	-1	-7
	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>Prov. 1983</u>
	<u>(In billions of dirhams)</u>			
Public sector finances <u>1/</u>				
Revenues, of which:	46.7	48.8	37.5	29.2
Oil	(44.6)	(45.9)	(34.7)	(26.5)
Expenditures, of which:	37.2	43.8	40.9	34.3
Development	(8.3)	(9.5)	(10.4)	(8.6)

1/ Estimates cover the Federal Government and the Governments of Abu Dhabi and Dubai only. Oil revenues in the budgetary data differ from oil export proceeds as recorded in the balance of payments mainly because Abu Dhabi budget does not include retained earnings by Abu Dhabi National Oil Company and Dubai budget includes only the revenues transferred by the Ruler to finance expenditures.

United Arab Emirates - Basic Data (Concluded)

	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>
	<u>(Annual change in millions of dirhams)</u>			
Monetary survey				
Net foreign assets	6,663	8,583	3,540	-1,448
Net domestic assets	-1,310	-3,012	1,023	4,135
Claims on Government (net)	(-3,063)	(-2,768)	(3,383)	(3,738)
Claims on private sector and official entities	(3,992)	(4,921)	(1,595)	(1,633)
Capital and reserves	(-1,390)	(-4,188)	(-3,540)	(-1,470)
Other items (net)	(-849)	(-977)	(-415)	(234)
Domestic liquidity	5,353	5,571	4,563	2,687
	<u>(Annual change in per cent)</u>			
Credit to private sector and official entities	17.7	18.5	5.1	4.9
Domestic liquidity	29.3	23.6	15.6	8.0
				<u>Prov. 1983</u>
	<u>(In billions of U.S. dollars)</u>			
Balance of payments				
Exports, f.o.b., of which:	22.0	21.8	18.2	15.4
Crude oil and gas	(20.0)	(19.5)	(16.0)	(12.7)
Imports, f.o.b.	-7.6	-8.6	-8.1	-7.9
Services and private transfers (net), of which:	-2.6	-2.9	-2.4	-2.6
Investment income (net)	(1.4)	(1.9)	(2.0)	(1.6)
Private transfers	(-2.2)	(-2.3)	(-2.2)	(-1.9)
Official grants	-1.7	-1.1	-0.7	-0.4
Current account balance	<u>10.1</u>	<u>9.2</u>	<u>7.0</u>	<u>4.5</u>
Official loans (net)	-0.5	-1.6	-1.0	-0.8
Other official capital	-3.2	-1.3	-0.7	-0.6
Errors and omissions (including private capital)	-4.6	-4.0	-4.3	-3.5
Net foreign assets of banking system (increase-)	-1.8	-2.3	-1.0	0.4
Central Bank	(-0.5)	(-1.3)	(-0.2)	(0.8)
Commercial banks	(-1.2)	(-1.0)	(-0.8)	(-0.4)
Exchange rate (period averages)				
Dirhams per SDR	4.8253	4.3287	4.0528	3.9243
Dirhams per U.S. dollar	3.7074	3.6710	3.6710	3.6710