

UAE economic growth to top 3% in 2011, says cen-bank official

- Monday, 7 February 2011 5:51 PM



Economic growth is set to hit 3% on rising tourism and other sectors, a UAE central bank official said

The UAE economy should grow by more than three percent this year and its banking sector is able to weather difficulties in the foreseeable future, a central bank official said on Monday.

The second-largest Arab economy was hit by Dubai's debt woes last year and the central bank's growth forecast for this year would be well below rates seen before the global financial crisis.

However, the economic outlook has been boosted by rising oil prices and after Dubai World, Dubai's flagship conglomerate, sealed a deal to restructure \$25bn in debt in September.

"Economic growth is expected to be over three percent this year, led by a rebound in tourism and other services that have great potential for more expansion in the future," Saif al-Shamsi, senior executive director of the UAE central bank's treasury department, said at an event.

Before the financial crisis hit, the UAE economy expanded 6.2 percent in 2007 and 7.4 percent in 2008, according to the National Bureau of Statistics.

Giyas Gokkent, chief economist at National Bank of Abu Dhabi, forecasts economic growth of around four percent this year.

"The UAE economy might grow faster in 2011, I expect a possible rise in oil output probably in the second half in 2011," he said.

Shamsi also said that UAE's gross domestic product now stood at more than \$300bn. The nominal GDP was AED914.3bn (\$248.9bn) in 2009, according to government data.

Analysts polled in December expected the UAE economy to expand by 3.6 percent in 2011 after an estimated 2.3 percent expansion in 2010. The UAE has yet to release 2010 GDP data.

Private sector lending had been in the red last year as UAE banks grappled with the fallout from debt troubles in Dubai, exposed after the emirate's property bubble burst under the weight of the global financial crisis.

Shamsi said UAE banks now had a strong deposit base, after customers' deposits increased by 21 percent between September 2008 and December 2010, which put them in a good position.

"It is safe to assume that our banking sector is in a position to weather the difficulties it may encounter in the foreseeable future," he said.