

Macro economics on uae

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Macroeconomics Report on I-JAKE I state that this assignment is my own work and that where other sources of information have been used; these have been acknowledged in the accepted academic manner. I have checked and followed the assessment criteria for this assignment. Macro economics on AAU By anemia The AAU comprises of 7 Emirates: ABA Dhabi; Dubbed; Share; Jan; Mum AY makers and has henceforth appeared to be profited by the later increase in the world oil costs. However the AAU economy's development is not as reliant on the oil market itself.

The I-JAKE has been following a mostly effective, strict variation technique far from oil alliance and has been similarly dedicated to its outward-orientated development plan. The Emirates sole vision to outline itself as the world's largest financial centre and trading hub has been realized and as a result I-EASE'S economy has boomed over the years. Great investment efficiency has strained into high levels of total domestic product (GAP) and continuous amazing development rates over the past several years.

Composite economic performance signs simply determine the achievements and success of the present AAU economy. The main aim of the report is to analyses the health of the AAU economy by focusing n the main macroeconomics indicators. These indicators comprise of the GAP growth, labor and capital productivity, public finance, FED development, Inflation and labor force. I-JAKE GAP structure AAU is well known to be the largest oil producers in the world. Therefore, a considerable part of I-EASE'S GAP comprises of oil.

However, the oil's share in UAE's GDP is comparatively smaller to that of other GCC countries. UAE economy has shown a constant growth in its GDP and has more than doubled over the years. While the oil share has decreased, non-oil GDP has become the major driver towards the success and growth of UAE's Economy. The major non-oil sectors in the UAE economy are: manufacturing; trade; real estate; construction; transport, storage & communication; and finance. Abu Dhabi contributed between (53%-62%) in GDP during the period (1990-2009), while Dubai contributed to the UAE's GDP is between (24%-35%) in the GDP of the UAE during the same period, illustrated by the percentage contribution of the five other emirates combined (Sharjah, Ajman, Ras Al Khaimah, Fujairah, and Umm Al-Qaiwain) during the study period ranged between (3%-23%). (Ref. 1). Although Abu Dhabi and Dubai have contributed more towards the Economy's GDP in the oil sector, the latter is actually more responsible for the growth in the non-oil sectors.

UAE's Labor and Capital Productivity Productivity measures the level of effectiveness and efficiency a nation makes its yield from a given input in its economy. In different statements, productivity measures the financial performance of an economy. Provided that the level of productivity is heightened then it implies that the economy is focused, competitive and efficient in the handling of products and services, which in turn means higher amounts of economic monetary development. To measure productivity of an economy we focus mainly on the labor and capital inputs of productivity.

Labor Productivity is ascertained as the ratio of GDP to the aggregate number of workers and is accessible by both Emirate and sector. Capital

productivity is, similarly, ascertained as the ratio of GAP to the stock of capital. UAE'S capital gains surpass more than labor productivity when including and barring oil from the calculations. When oil is excluded from its calculations, labor productivity in Abu Dhabi is essentially divided and capital productivity falls to the fifth spot around the emirates.

Subsequently, this implies the criticalness of oil to both productivity levels in Abu Dhabi and the UAE's overall financial development. UAE's Public Finance The Government operations have a major economic impact on the economy through collection of revenue and expenditure policies. Through taxable and non-taxable revenues, the government's revenues create significance on the supply side of the economy. " In UAE, taxable revenues are collected from customs, I. E. Trade and port operations and incomes, I. E. Foreign banks and oil companies where as the non-taxable revenues are generated from the profits of public enterprises and other sources"(BPML, 2005). The expenditures generated by the government have a direct impact on the demand side of the economy, through government consumption, investment spending and subsidies and transfers. Government expenditures in the UAE economy have been increasing over the last five year although it did fall down marginally in the year 2002. " Between 2004 and 2005 government expenditure grew by 14. 8%, vastly exceeding the 2% growth in the previous year.

Similarly, from 2003 to 2005 government revenue has also been increasing. In 2005 the government reported a budget surplus of AED 56, 773 million which was more than three times the surplus reported in 2004. "(Ref. 3). At present, the government operations have produced a budget surplus,

however figures reveal that the overall budgetary position on the I-JAKE economy is highly dependent and prone to fluctuations and price movements in the oil sector. Use's Foreign Trade Usually richer countries are engaged in foreign trade. A positive relationship between two countries can establish a relationship between foreign trade and high

GAP. Over the past years, foreign trade in I-JAKE has increased dramatically from DEAD 221 billion in 1994 to DEAD 463 billion in 2004. " Non-oil trade accounted for 80% of total I-JAKE trade in 2004, comprising 54% imports, 20% exports and 26% re- exports. "(Ref. 3). The trade balance of AJAX, including the oil, over the years has been in a trade surplus along with the rest of the world. However in the year 2004 the surplus fell yet remained at a satisfactory value of DEAD 63 billion. But the trade balance excluding has been in a deficit in the recent years. Since 2000 the deficit has been decreasing; in 1999 and 2000 the deficit was at a maximum 26% of GAP whereas in 2004 it comprised only 8% of GAP. The reduction in the deficit can be in an increase in non-oil exports and re-exports. "(Ref. 3) Use's FED Development " Foreign direct investment (FED) is defined as an investment that involves a long-term relationship, reflecting lasting interest and control, by a resident entity in one economy in an enterprise resident in an economy other than that of the foreign direct investor. "(Ref. 3). The I-JAKE economy has been a net receiver from FED inflows over the past years.

The main investors here happen to be I-J and USA. Business and Financial services in I-JAKE are currently receiving the highest concentrations on projects (22% of all I-JAKE FED projects) thus indicating the expansion of this sector in the oncoming future. " In 2005 the I-JAKE attracted DEAD 68 billion
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of FED, a substantial improvement on previous years. "(Ref. 5) I-EASE'S Consumer Price Index (ICP) The Consumer Price Index (ICP) is a helpful indicator which endeavours to catch inflationary drifts by approximating the accurate updates in the average cost of living.

The ICP approximates a average individual's inter-temporal utility work, fleeting both the products and services requested and their individual relative costs. As per the I-JAKE Ministry of Economy, ICP has been expanding persistently (creeping inflation) since 2001 at a normal annual development rate of 3. 9% over the past 5 years, climbing from 2. 2% in 2001 to 6. 2% in 2005. That is, the average cost of living has expanded, for the average individual, by a average rate of 3. 9% for every year; costs are 20. 1% higher than in 2001.

Use's Inflation Inflation can be defined as an overall rise in the level of price and is representative of decline in the purchasing power of money. From the past 5 years, the I-JAKE economy has been experiencing a creeping inflation. In the year 2005, according to the Consumer Product Index (ICP) the inflation rate has been measured up to a value of 6. 2% which happens to be a healthy rate towards the high economic growth of the I-JAKE economy. However in the year 2005, the housing sector has measured an inflation rate of 9. % and is ending up being even more a concern as creeping inflation might reasonably begin to discourage economic development if permitted to continue. Dubbed is the essential contributor to inflation in the AJAX; the typical cost for Asia living went up by 6. 5% in 2005 apart from the other cities in AJAX. Given the I-EASE'S conversion standard arrangement and the conceivable underestimation of I-JAKE ICP it is basic that the authorities take <https://assignbuster.com/macro-economics-on-uae/>

measures to counteract further builds in inflation to stay away from any plausibly inconvenient economic results.

The vitality of the labor market is verifiable. " A nations' financial performance depends to a huge degree on the working of the labor market sector; production, economic development, and costs are all intimately interfaced to it" (Restorer & Tokomak, 2005). The effect that the labor market sector has on economic development and other performance markers is reliant on the work productivity of the labor force. In the year 2004 the AAU work force accounted up to 2, 731 thousand out of a sum total of 4, 320 thousand, representing for a work force cooperation rate of 63. 2%.

The exceptional structure of the I-EASE'S labor constrain, with its reliance on foreign laborers, has indicated that unemployment levels in the AAU are prominently level; 3% in 2004. While the portion of the unemployed has remained reasonably stable over the past four years, the work force interest rate has been limitlessly increasing. Tuba's offer of the total work force has been also expanding throughout the final four years, although every bit of the remaining Emirates has seen a fall. In 2004 Dubbed and ABA Dhabi were the essential employers of the labor force, both employing up to 37%.

The construction sector employs the most laborers (20. 2%) followed by the trade and manufacturing divisions at 19. 5% and 13% individually. Overall, generally speaking, the economic indicators examined propose that the I-JAKE economy is booming; profiting from towering oil prices yet all the more monumentally from the government's fervent commitments to expansion. Capital productivity is elevated, both including and excluding oil, and thus

the I-JAKE appears as a progressively alluring alternative for foreign investment.