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## The outlook for the UAE economy is looking better every day

◆ The country's composite PMI, a leading indicator of economic activity, came in at 51.2 in December, the highest since August, 2019.

◆ Real estate activity has quickened and home prices in Abu Dhabi have started to move up.

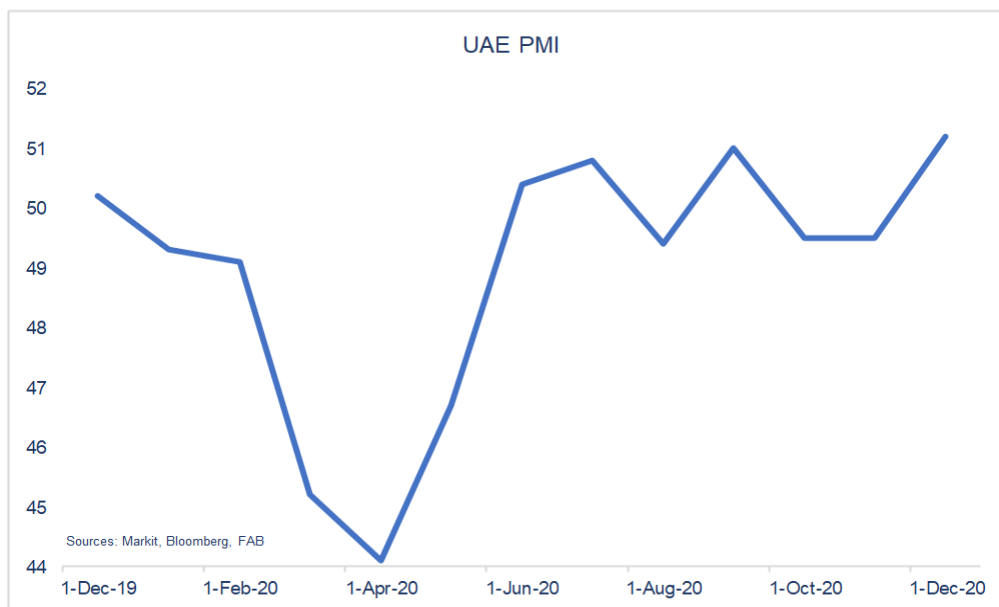
◆ Tourism activity picked up at the end of the year and the country was in the spotlight as Europeans flocked here.

◆ The FAB AAC has a neutral position in equities, and is slightly overweight in IG and EM bonds, and gold.

A thin blanket of smog covered Dubai on a crisp winter morning today. At 2pm, it was almost impossible to find a parking spot in the Mall of the Emirates. These mundane notes are just the living proof of what the economic and anecdotal data are suggesting: the UAE economy is rebounding.

Today, the country's PMI for December, a leading indicator resulting from a survey of purchasing managers, came in at 51.2, the highest level since August, 2019. More importantly, the fact that it came above 50 means the economy is expanding on a month-over-month basis.

Pundits may be tempted to pin the recent activity spurt on higher oil prices, but it seems like the non-oil sector may be one of the key drivers of it. Recent official data for tourist arrivals is still not available, but many of the best hotels in the country were fully booked last week, according to a Zawya article. Social media posts of celebrities enjoying the 'World's Coolest Winter' were going viral, as those who could fled Europe for the UAE.



Another key non-oil sector seemed to be getting a boost too, as the number of real estate transactions has increased. For one, yesterday, Emaar Properties said it had sold Dubai's Sky View Tower to a European fund for AED750 million.

The latest Dubai Land Department report showed that there were 3,927 property transactions in November worth AED7.65 billion, a 15.6% increase in volume and a 10% increase in value compared to the previous month.

Meanwhile, the property price index for Abu Dhabi compiled by the Bank for International Settlements has been rising since June. The same index for Dubai still has not started to rise but was flat, meaning a turnaround could be coming.

Then there are oil prices, which are behaving. There are still some 163 million more barrels in storage than would normally be the case, according to OPEC, but the stockpile is dwindling.

### A leading indicator for UAE economic activity came in at its strongest since 2019

If OPEC members are able to maintain the current supply deficit of 5-7 million barrels/day, according to analysts, the excess storage could decrease pretty quickly. This could help hold Brent crude prices around US\$50/barrel, supporting further growth in the UAE and the broader GCC.

The UAE stock market has discounted some of that information. The Abu Dhabi index has risen 49.4% since 23 March, when global stock markets bottomed, while the Dubai index is up 52.2%. However, that is still shy of the 72% by which the overall MSCI EM index has risen over the same period. Bonds tell a similar story, and Dubai spreads remain some 20 basis points wider than a year ago. All of this suggests that UAE assets may offer good value.

## Investment Strategy Update

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