

# Prospects of Dubai Economic Sectors

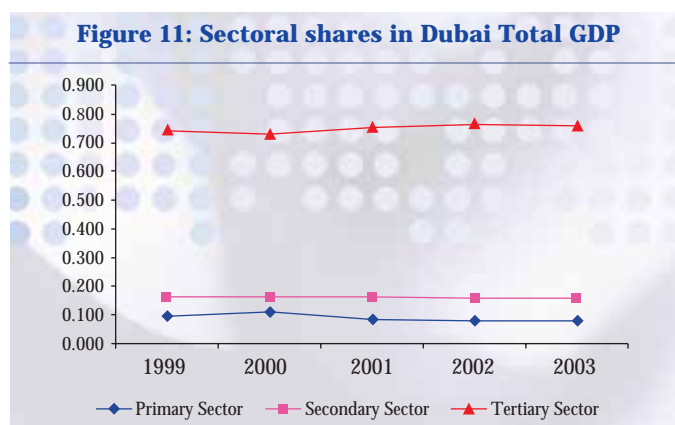
Dubai vision for the future is to become the economic hub and the financial centre of the region. Structurally Dubai is determined to boost long term non-oil gross domestic product (GDP) growth relying on the production non-oil products and the provision of services. Dubai is counting on some economic sectors for the realization of this vision. The prospects of some sectors are brighter than others. This article discusses the future prospects of the different economic sectors of Dubai based on data from Dubai Municipality<sup>1</sup>.

Dubai GDP is divided into oil and non-oil GDP, with the latter representing the overwhelming part of Dubai GDP. The share of non-oil GDP in total GDP increased from about 90% in 2000 to about 93% in 2003. This trend is on the rise due to the increasing importance of the non-oil production in Dubai economy. The components of Dubai total GDP by economic sectors are the non-financial corporation sector; the financial corporation sector; government services sector; households domestic services sector; and the residual balancing item imputed bank services. Over the period 1999-2003, on average the non-financial corporation sector contributed 82% of total GDP; the financial corporation sector contributed 11%; the government services sector contributed 9%; the households domestic services sector contributed 1%; and the residual item imputed bank services was -3%<sup>2</sup>. When the contribution of the mining sector, i.e. oil, is excluded from the contribution of the non-financial corporation sector, then the non-oil non-financial corporation sector contributed 74% of total GDP over the same period. When the contribution of the remaining sectors is added, then the average contribution of the non-oil sectors in total GDP of Dubai during the period 1999-2003 was 92%.

Figure 1 below shows the sectoral shares of Dubai total GDP during the period 1999-2003. The primary sector includes agriculture, livestock, fishing, mining and quarrying. The secondary sector includes manufacturing industries. The tertiary sector includes the rest of the economic activities, which are basically services. As the figure shows, the share of the primary sector in Dubai GDP was declining; the share of the secondary sector was remaining unchanged; while the share of the tertiary sector was rising. During the period 1999-2003, the average share of the primary sector in Dubai total GDP was 9%, the secondary sector was 16% and the tertiary sector was 75%.

The calculations have shown that the share of the primary sector in Dubai GDP was falling in relative terms by an annual average rate of 4% during the period 1999-2003. The share of the secondary sector did not change through out the whole period. On the other hand, the share of the tertiary sector was rising in relative terms by an annual average rate of 1% during this period. These results confirm the findings in the economic literature on the patterns of structural change during the process of economic growth. The results show that the tertiary sector has promising prospects of economic growth in the future.

The first column of table 1 below shows the break down of the tertiary sector into its different economic activities. The second column shows the average shares of these different economic activities in Dubai total GDP during the period 1999-2003. The activities are ranked in descending order according to their



Source: Own calculations based on data from Dubai Municipality.

average shares. The last column shows the average growth rates of these activities during the same period.

**Table 1: Shares and growth of tertiary activities, 1999-2003**

Economic activities	Share	Growth
Wholesale, retail trade and repairing services	0.16	0.06
Transports, storage and communication	0.15	0.19
Financial services (banks, insurance, finance)	0.11	0.11
Real estate and business services	0.09	0.06
Government services	0.09	0.06
Construction	0.08	0.05
Restaurants and hotels	0.05	0.08
Social and personal services	0.03	0.08
Electricity, gas and water	0.02	0.05
Domestic services of households	0.01	0.07
Imputed bank services	-0.03	

Source: Own calculations based on data from Dubai Municipality.

As clear from the table, the dominant economic activities in the tertiary sector (those with a share of 5% and more) are trading; transport, storage and communication; financial services; real estate and business services; government services; construction; and restaurants and hotels. The economic activities that were growing relatively faster, by more than 10%, are transport, storage and communication; and financial services. The activities which were growing moderately, by more than 5%, are restaurants and hotels; social, personal and domestic services; real estate and business services; and government services. The activities that were growing relatively slower, by 5% and less, are construction; electricity, gas and water.

We can conclude that Dubai economy is on the right path of the non-oil production and the tertiary economic activities are the promising ones for Dubai future economic growth. Therefore, it is advised that the emphasis of Dubai economic policy is to be directed to the tertiary sector to realize its full potential.

<sup>1</sup> "Statistical Yearbook-Emirate of Dubai, 2003", Dubai Municipality, Statistics Centre.

<sup>2</sup> Banks make part of their income by lending at high rate of interest and borrowing at low rate. In national accounts, interest payments are not considered to be payments for a service rendered, but property income. Hence this income shows as a negative item; but it appears later in current income account.