ITALIAN INDUSTRY & COMMERCE OFFICE IN THE UAE
(Camera di Commercio Italiana negli EAU)
المكتب الايطالي للصناعة والتجارة فى دولة الامارات العربية المتحدة

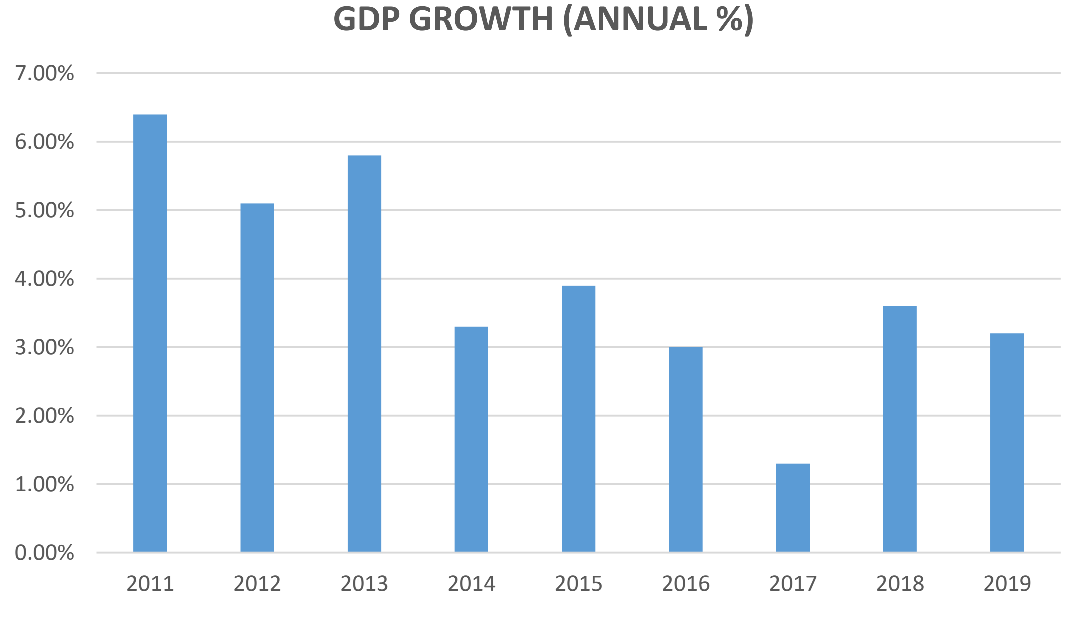
ECONOMICS NEWS IICUAE

UNITED ARAB EMIRATES

Recent Developments

Overall real GDP growth was estimated to further moderate to 1.4% in 2017, down from 3% in 2016. hydrocarbon GDP growth was estimate to contract by 2.9% in 2017 from 3.8% in 2016, in compliance with the OPEC agreement to cut supply. The non-oil sector is estimated to grow by 3.3% in 2017 reflecting higher public investment and a pickup in global trade. The current account surplus is expected to improve by 2.6% of GDP this year manly owing to rising non-oil exports. Fiscal consolidation efforts in the Emirates began in 2015 and continued at a slower pace in 2016. The decline in hydrocarbon revenues has pushed the consolidated fiscal balance down from a comfortable surplus of 10.4% of the GDP in 2013 to 4.3% deficit in 2016. The deficit was financed through withdrawals from the sovereign wealth funds, banks borrowing and increasingly, by foreign capital raising. The decline in hydrocarbon revenues was partially offset by increased dividends from GREs and higher fees.

Source: The World Bank - UAE' Economic Outlook - October 2017



Sources: UAE authorities and IMF/World Bank estimates

Outlook

Beyond 2017, overall GDP growth is expected to recover to above 3% in the medium term. Non oil-growth is projected to rebound as the expected improvement in oil prices and its positive effects on confidence and financial conditions dampen the effects of fiscal consolidation and as megaprojects implementation ramps up ahead of Dubai's hosting of Expo 2020. Real Oil GDP growth is projected to recover in 2018 and continue to improve over the medium term. The VAT is not expected to adversely affect growth significantly, but will increase revenues by 1% of GDP.

Source: The World Bank - UAE' Economic Outlook - October 2017

	2014	**2015**	**2016**	**2017***	**2018***	**2019***
Real GDP growth, at a constant price	3.1	3.8	3.0	1.4	3.1	3.3
Private Consumption	25.3	-12.0	2.1	1.0	3.2	3.5
Government Consumption	5.8	16.6	-0.9	-0.5	2.5	2.5
Gross Fixed Capital Investment	8.3	10.6	3.0	2.8	7.9	10.3
Exports, G/S	0.2	3.4	1.3	2.5	4.0	4.0
Imports, G/S	12.3	-1.2	1.7	3.0	3.2	3.2
Real GDP growth, at constant factor prices	3.1	3.8	3.0	1.4	3.1	3.3
Agriculture	1.9	3.1	3.0	2.0	3.0	3.2
Industry	1.6	4.6	2.3	2.1	2.3	3.0
Services	4.8	2.8	3.8	0.6	4.0	3.6
Inflation (Consumer Price Index)	2.4	4.1	1.6	2.2	2.9	2.5
Current Account Balance (% of GDP)	13.3	4.7	2.4	2.6	2.7	2.9
Fiscal Balance (% of GDP)	1.9	-3.4	-4.3	-3.0	-1.9	-1.0

UAE on track to double its growth rate to 3.6%

The GDP will jump to 3.6% in 2018 from the current 1.7% and it would further gain pace in 2019, said ICAEW, a leading organization of character accountants ad Oxford Economics. This is in line with International Monetary Funds predictions, which recently said the UAE economy would register a growth of 3.4% in 2018 while overall GCC growth would touch 2.2%. Several economies in the Middle East, particularly those in the GCC, are transitioning towards a "new normal" in 2018, allowing spending to start gradually recovering, said the report. GDP in the GCC is expected to grow from just 0.3% in 2017 to 2.8% next year. It will accelerate from 1.4% in 2017 to 3.2% next year in the wider Middle East. The report, "Economic Insight: Middle East Q4 2017", said public finances now look to be on more sustainable pat in most economies in the GCC thanks to three main factors: the upcoming VAT; the important social change in Saudi Arabia with the lifting of the ban on women driving; and as a result of a period of emergency austerity which saw public spending cut by almost 20% from 2015-2017 at the GCC level. The report echoes the GDP growth projected by the International Monetary Fund, which said recently the UAE economy is on track to bounce back to register a growth of 3.4% in 2018 while the overall GCC growth is poised to rebound to 2.2%.

Source: Khaleej Times

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Italy's GDP stable in 2018, do not let go the reforms

GDP growth will remain substantially stable at 1.5% in 2018 and will fall to 1.3% in 2019: this is what the OECD says in the 2018 economic outlook. The private consumption will continue to be the driving force of the recovery, which will continue to have positive effects on investment and exports.

MEASURES STRENGTHEN GROWTH. The reforms contained in the 2018 Maneuver will "bolster inclusive growth and debt reduction" in Italy. The Paris-based international organism welcomes the VAT increases for 2018, but also the extension of corporate tax bonuses and "improvements" to building. It is also the government's introduction of permanent bonuses for recruiting young people under 30. Moreover, according to the OECD, the anticipated introduction of electronic billing between private individuals is an important step forward to reduce tax evasion. Reducing the cash payment threshold would complete these efforts.

The OECD therefore invites the next governments not to slow down the pace of structural reforms and the consolidation of public accounts after the planned elections in the first part of 2018.

If Italy wants to strengthen "social cohesion" and "potential growth", it must "continue structural reforms" and continue to engage in reducing tax expenditures "without social and economic logic".

In addition, for OECD, "turnover due to the retirement of an important proportion of public employees in the near future is an opportunity to restructure the public administration.“

Finally, Italy is asked to continue its efforts to "open local public services to competition" and to fully implement the measures contained in the Jobs Act in terms of job and training research, linking them with unemployment benefits, to help those who is looking for a job. Lastly, the "large stock" of deteriorated loans (NPL) and the "high level" of public debt represent the same "financial vulnerability" for Italy.
However, the OECD emphasizes that the strategy put in place by the Italian executives to address the problems of banks' weakness is "paying off" and the deteriorated credit claims of lenders begin to "decrease".
Among the great G7 countries, Italy is probably one of the biggest challenges ahead of it, but also the widest broader margins of progression.

Source: Ansa

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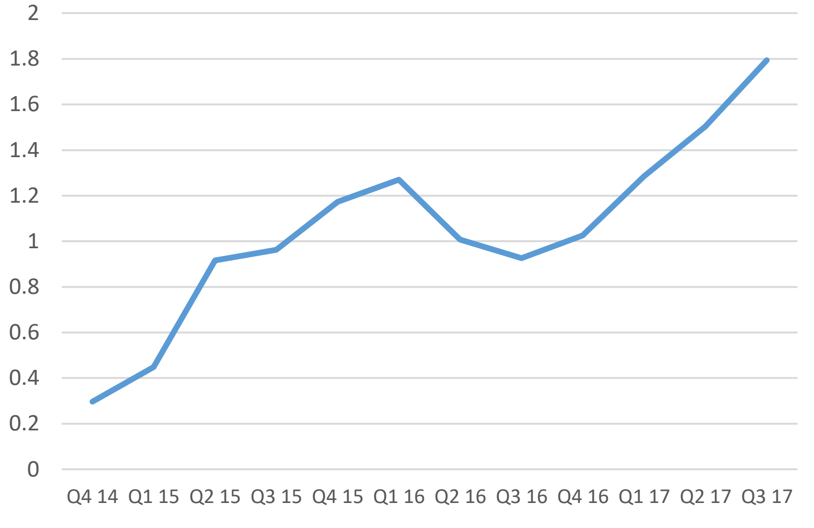
ITALY

GROSS DOMESTIC PRODUCT

In the second quarter of the 2017, the Gross Domestic Product (GDP), expressed taking as base the 2010, registered a growth, in quarterly terms, of 0.4%.

Final consumptions growth of about 0.2%, while fixed investments registered a growth of 0.7%. Exports experience a 0.6% increase and imports increase of 0.7%. The national demand, net of inventories, has contributed to the GDP growth for 0.2% percentage points.



Quarterly Variation of the Italian GDP from Q4 2014 to Q3 2017.

Source: ISTAT – www.istat.it

GDP	**1.5%** T2/2017
INDEX OF CONSUMER PRICES	**1.2%** AUG/2017
ACTIVITY RATE	**65.3%** T2/2017
UNEMPLOYMENT RATE	**11.2%** T2/2017
LABOR COST	**-0.1%** T2/2017
INDUSTRIAL PRODUCTION INDEX	**4.4%** APR/2017
TRADE BALANCE PAYMENTS	**19.529,57** MILLION EUROS JAN-JUNE/2017

Industry 4.0 and the tax incentives

The integrated service of PwC to seize the best fiscal opportunities linked to the technological and digital transformation of the companies.

The adoption by the Government of the National Industry Plan 4.0 for the technological and digital transformation of the industry is a great one opportunities for companies operating in Italy. The plan, in fact, aims to increase the incentives of character tax on investment of firms in the goods and technology they allow the connection between physical and digital systems, complex analyzes (Big Data) and the real-time adaptations of the production system. Budget Law 2017 introduces and extends tax incentives for the companies that invest in the technological and digital transformation of the enterprise according to the Industry 4.0 model: the depreciation of material assets, over depreciation of intangible assets, Nuova Sabatini, tax credits for research and development, SME incentives and innovative start-ups, etc.

Iper-amortization and super-amortization

Budget law 2017 provides the possibility of amortization in taxation 250% of the cost of specific material assets that are new to the technological transformation 4.0 and 140% of the cost related to specific goods intangible assets (software and development/system integration) related to investments in material assets Industry 4.0. When Investments made by 31st December 2017 or by 30th June 2018 provided that the purchase order has been accepted by the seller by 31st December 2017 and have been paid advance payments of at least 20% of the cost of acquisition. The documentation in order to benefit from the facilitation, the legal statement is required a representative who attests that the good possesses the technical characteristics provided by law and which is interconnected with the company's management system production or supply network. For goods with higher unit cost € 500,000 is compulsory the technical sworn technical report prepared by an engineer, an industrial expert or an accredited certification body.

Other facilities

- Tax credit for research and development (50% of the expenditure surplus average of R & D investments made in 2012-2014, up to € 20mln per year);
- Extension overdue for assets not falling within those identified by legislator for Industry 4.0;
- Tax deductions up to 30% for investments up to € 1 million in start-ups and innovative PMIs;
- Absorption by the company "sponsor" of the tax losses of the former three exercises achieved by the newly established companies;
- Individual Savings Plans: Detailing Specific Income from medium to long-term investments;
- Extension, Strengthening and Qualification 4.0 for the Nuova Sabatini ter.

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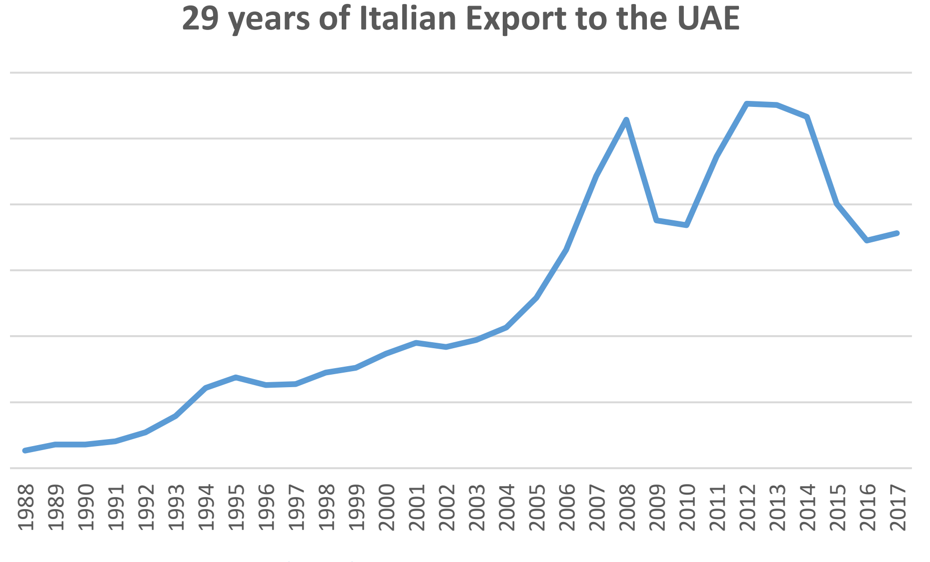
ITALY – UAE TRADE (AUGUST 2017)

CATEGORIES	EXPORT 2016	EXPORT 2017	VAR %
MACHINES, INSTRUMENTS AND EQUIPMENT	984.232.386	1.101.662.370	+11.93%
JEWELLRY	577.739.618	563.932.630	-2.39%
TEXTILE AND CLOTHING	274.184.097	272.265.737	-0.70%
METALS AND METAL PROCESSED	212.560.881	256.514.768	+20.68%
INTERIOR DESIGN	224.343.400	218.376.412	-2.66%
OTHERS	206.942.554	181.317.882	-12.38%
FOOD AND BEVERAGES	184.058.283	166.684.630	-9.44%
REFINED PETROLEUM PRODUCTS	83.747.310	141.530.819	+69.00%
DETERGENTS, PERFUMES AND COSMETICS	101.189.495	116.077.433	+14.71%
CHEMICAL	94.186.093	105.345.232	+11.85%
MARITIME, AIR AND BY ROAD MEANS OF TRANSPORTATION	172.279.391	82.890.165	-51.89%
RUBBER AND PLASTIC PRODUCTS	67.851.476	58.728.815	-13.45%
COMPUTERS AND ELECTRONICS	31.519.853	30.512.032	-3.20%
PHARMACEUTICS	26.104.411	25.703.629	-1.54%
ELECTRONIC AND NOT DEVICES FOR DOMESTIC USE	19.799.434	21.556.091	+8.87%
MINERALS	3.507.350	18.033.681	+414.17%

Source: ISTAT – www.istat.it



Source: ISTAT – www.istat.it