

UAE Cabinet approves Dh48.5bn budget

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ABU DHABI // The Cabinet on Sunday approved a trimmed federal budget of Dh48.5 billion for next year, as lower oil prices spur GCC states to tighten their belts.

Spending in 2016 will be down 1.1 per cent from Dh49.1bn this year. The budget accounts for about 13 per cent of all government expenditure.

Sheikh Mohammed bin Rashid, Prime Minister and Ruler of Dubai, said the priority was investing in Emiratis.

"Our priorities in the 2016 budget will be geared towards social development, education and health," Sheikh Mohammed said after leading the Cabinet meeting.

"Maintaining the first rank requires having all resources that enable the Emirati people and their Government to reach these goals."

Sultan Al Mansouri, the Minister of Economy, said the country would get through the period of low oil prices "without too much trouble.

"The federal budget was only trimmed by a very small amount," Mr Al Mansouri said.

More than 50 per cent of budget spending will go to education, social services and health. Other sums will be spent on defence, public safety, economic development, environment and culture.

The UAE is expected to run a deficit of 2.4 per cent this year, the International Monetary Fund said, after total revenues fell by 22 per cent this year.

Oil, on which the Government depends for more than half of its revenues, has more than halved in price since last year's peak of US\$110 a barrel.

The total budget comprises federal spending and that by the individual emirates. The emirates spend about Dh397bn, much more than is spent federally. Local governments are expected to trim their spending by another Dh26.3bn, Central Bank data shows.

Cuts to the Dh46.4bn expenditure on subsidies for fuel and energy are expected to make up most of the savings.

Suhail Al Mazrouei, Minister of Energy, said this month that he wanted to cut a further Dh3.5bn from subsidies by urging greater efficiency and reducing use.

The method of setting fuel prices was changed in August, resulting in increased prices at the pump and reducing the amount spent on subsidising petrol. Abu Dhabi introduced new tariffs for water and electricity at the start of the year, lowering subsidies for expatriates.

The spending cuts come amid IMF warnings that Gulf governments have

lost about US\$360bn (Dh1.32 trillion) in revenues from lower oil prices.

Masood Ahmed, director for the Middle East at the IMF, said “a number of Gulf states are looking at ways at which to consolidate. People recognise the new oil prices are here to stay”.

Saudi Arabia, which is set to run a budget deficit of 19.5 per cent this year, has about five years of financial reserves left at current spending levels, the IMF said.

The kingdom plans to cut infrastructure spending by about 10 per cent next year.

Sovereign wealth funds across the region have begun to dispose of assets as governments seek cash with which to plug gaps in spending.

In the UAE, state-run companies such as the Abu Dhabi National Oil Company and the International Petroleum Investment Company have also planned asset disposals, Bloomberg said.

The Abu Dhabi Government, which has not publicly released its budget for 2016, has a long-standing arrangement with the Abu Dhabi Investment Authority that allows it to withdraw cash from the fund during periods of “extreme or prolonged weakness in commodity prices”.

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