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UAE to see 2.2% net salary rise in 2016

Issac John (/section/search&facet.filter=Byline:Issac%20John) /Dubai
Filed on March 14, 2016 | Last updated on March 14, 2016 at 09:28 pm

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Although salary hikes in Saudi Arabia are predicted to average at 5.9 per cent, with an inflation rate of 4.7 per cent, the net increase for Saudi employees would be only 1.2 per cent.

Salary increases in the UAE are forecast to be higher than the average rate of hike in the GCC, and given the lowest regional inflation rate of 3.1 per cent, employees in the emirates stand to enjoy a 2.2 per cent net salary increase in 2016, the highest in the region, a new research report said on Monday.

Salaries in the UAE are forecast to rise by 5.3 per cent vis a vis a GCC average of 5.2 per cent.

Although salary hikes in Saudi Arabia are predicted to average at 5.9 per cent, with an inflation rate of 4.7 per cent, the net increase for Saudi employees would be only 1.2 per cent.

Salaries across the GCC are forecast to increase at an average of just 5.2 per cent in 2016, down from 5.7 per cent in the previous year, a research report released by online recruitment firm GulfTalent said.

The slower growth rate means average pay rises across the GCC are set to be lower in 2016 than at any time over the past 10 years, despite the rising cost of living caused by cuts in government subsidies, said GulfTalent.

"Many professionals in 2016 are likely to face a double-whammy of rising living costs coupled with stagnant wage growth. As a result, real salary increases net of inflation are expected to be significantly lower than in previous years," the report stated.

One source of comfort for residents is falling rents in parts of the region, in an otherwise inflationary market, the report found.

The research report was based on GulfTalent's survey of 700 employers and 25,000 professionals across the six GCC states. Drawing on its survey results, the study found that salaries across the GCC are forecast to increase at an average of just 5.2 per cent in 2016, down from 5.7 per cent in the previous year.

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Are you expecting a salary hike in 2016?

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Saudi Arabia is expected to top the region's pay increases, at 5.9 per cent. However, with inflation in the Kingdom forecast at 4.7 per cent in 2016, real pay rises net of inflation will average just 1.2 per cent.

Professionals in the UAE are expected to enjoy the region's second highest salary increase at 5.3 percent. Qatar is next with 4.7 percent, followed closely by Kuwait and Oman at 4.6 and 4.4 per cent respectively.

Bahrain fares the worst among the six GCC states, with the projected salary increase of 3.7 per cent matching the forecast

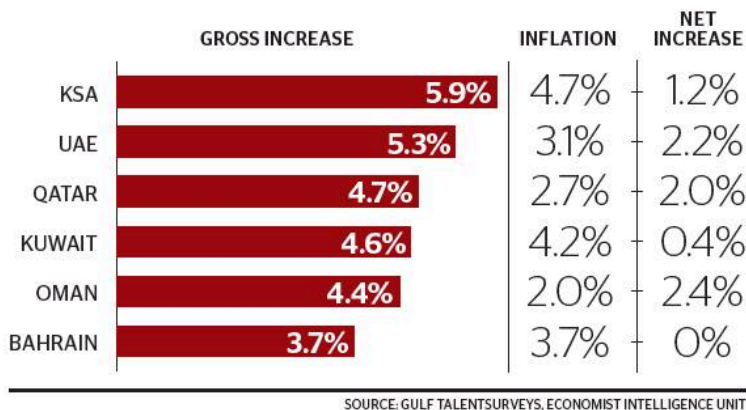
inflation rate exactly, leaving employees with no net increase in their purchasing power.

The study reported a marked slowdown in recruitment activity in addition to lower pay rises, with employers much more cautious in adding to their payroll. Much of the recruitment activity is now focused on replacement hiring only.

According to the study, sectors that are particularly hit include oil & gas and construction, which depend heavily on government investment. On the other hand, retail has seen limited impact and healthcare is booming, driven by a combination of population growth and regulatory changes making healthcare provision mandatory for employers. 68 percent of healthcare companies surveyed reported an increase in their headcount during 2015.

The study found that, with fewer jobs in the market and candidates seeking stability, employee turnover had fallen in most sectors. It warned, however, that employers failing to meet the pay expectation of their top performers due to financial pressures could risk losing them to competitors.

Private sector salary increase forecast 2016



According to the study, employers currently hiring are having much greater success in securing top candidates than in previous years and some are using this as an opportunity to upgrade their staff.

Some firms are also reporting greater success in attracting nationals, thanks to slower pace of hiring in the public sector.

The survey found that an increasing number of firms have been reducing headcount, particularly in energy and construction. Overall, 14 per cent of surveyed firms in Saudi Arabia reported plans to reduce headcount in 2016, compared with nine per cent in the UAE.

The study noted that, despite a marked slowdown, the situation in Gulf countries remains far more stable than in most other oil-dependent economies. According to the Economist Intelligence Unit, all GCC countries are expected to have stable currencies and register a positive economic growth in 2016, with governments using their reserves to maintain critical investments. This is in sharp contrast to Russia where the oil price collapse has already led to severe recession and a 50 percent plunge in the value of the currency since 2014.

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Associate Business Editor of Khaleej Times, is a well-connected Indian journalist and an economic and financial commentator. He has been in the UAE's mainstream journalism for 35 years, including 23 years with Khaleej Times. A post-graduate in English and graduate in economics, he has won over two dozen awards. Acclaimed for his authentic and insightful analysis of global and regional businesses and economic trends, he is respected for his astute understanding of the local business scene.

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