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OF 7

United Arab Emirates

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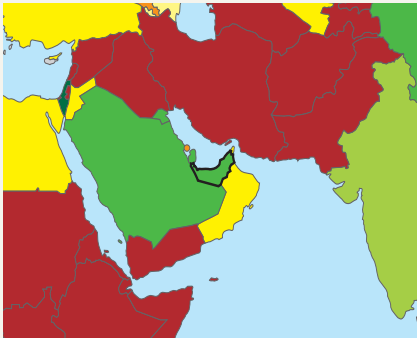
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Basic facts (2021)

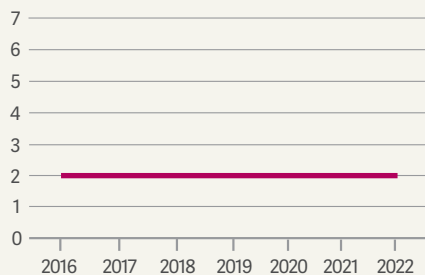
Population: 9,3 million

GDP, nominal: USD 358 billion

GDP/capita: USD 38 661



The country risk categories are arranged on a scale from 0 to 7. The lower the figure, the better the country's creditworthiness

Country classification history

Source: EKN

Strengths

- + Diversified economy from a regional perspective
- + Strong macroeconomic indicators
- + History of political stability

Weaknesses

- Public finances dependent on hydrocarbons dependence on oil revenues
- High debt in state-owned enterprises
- Need for structural reforms, lack of protection for investors and creditors

High oil-dependence

The United Arab Emirates (UAE) is one of the region's most developed economies. For a long time, the country has been characterised by extensive oil resources, as it has more than 7 per cent of the world's known oil reserves and about four per cent of the natural gas reserves. It is the third largest oil producer in OPEC+. Petroleum and natural gas are a dominant source of growth, accounting for one third of GDP. Government finances are on a solid foundation thanks to strong financial assets. In addition to large international reserves, there are extensive assets in sovereign wealth funds, built up over decades of current account surpluses. The Abu Dhabi emirate's SWF is among the largest in the world. Government finances are strong with low government debt around 40 per cent of GDP. The budget deficit increased in 2020 as a result of pandemic-related measures but is expected to decrease in coming years. The external position is stable and its position as a net creditor will remain. The current account surplus amounts to three per cent of GDP and is expected to increase in coming years. The gross external debt rose from 78 percent of GDP in 2019 to 100 percent in 2020. The risk of economic problems due to growing domestic debt is limited by the current account surplus and a favourable investment climate. Thanks to liberal business and trading environment, capital flows both from within and outside the region will maintain.

Low oil prices have deteriorated public finances in recent years and the authorities have recently made major efforts to diversify the economy. The country has successfully established itself in global trade and created a regional financial hub. Despite the low oil prices, growth has continued thanks to a relatively diversified economy.

Stable economy in need of diversification

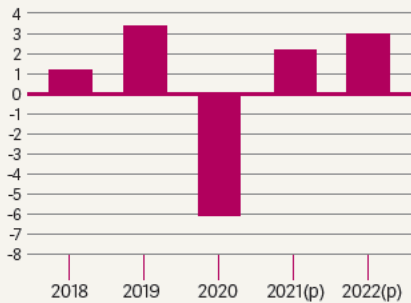
Multiple shock of the Covid-19 crisis, including lockdowns and lower oil production in accordance with OPEC+, contracted the real GDP by 6 percent in 2020. However, the recovery is expected to be robust, boosted by a successful vaccination, high oil prices and effective support measures. In the long term, growth is estimated to be around 3 per cent. The country has opened up to the outside world and events are planned for this year and upcoming years. On 1 October, the world expo, Expo 2020, opened in Dubai. According to changed plans, the exhibition will take place from October 2021 to March 2022. Around 190 countries are expected to participate, which will benefit the important tourism sector and increase the economic activity during the period. So far, the exhibition has had around five million visitors, which is less than expected and is explained by the development of the pandemic.

In the short term, higher oil prices and eased production quotas within OPEC will support oil exports. Although the sector remains essential for economic growth, future weakness in oil prices may prompt the government to ease up on fiscal stimulus measures and introduce new taxes. This may potentially damage economic confidence and lead to changes in the relationship between citizens and the government.

The long-term prospects for the country are relatively good and there are few threats to its political and economic stability. Improved relations with regional

United Arab Emirates

GDP growth (fixed prices, % per annum)



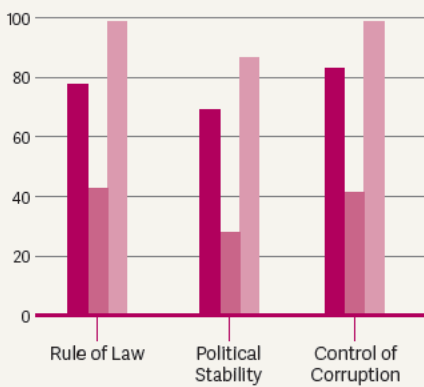
Source: IMF WEO 2021

neighbours such as Qatar and Israel are expected to contribute to increased regional stability. The long-term risk is dominated by lack of structural reforms for diversification of the economy. Thus, the long-term development in the country depends on the authorities' focus on the private and non-oil related sectors. However, there is a general uncertainty regarding the government's ambition to make these investments.

Business environment

The World Bank's Ease of Doing Business index ranks the UAE 16 out of 190 ranked countries, which is the best in the region. In Transparency International's Corruption Index, the UAE ranks better than several EU countries, at 21 out of 180 countries. The World Bank's Governance Indicators (WGI), which include various measurements of the quality of institutions and the regulatory environment, rank the country above the regional standard. However, the legal system in the United Arab Emirates is not politically independent and there are shortcomings in its effectiveness. Some areas lag behind, such as investor protection. The cost and time for the recovery process is high, even in a regional comparison.

Business environment



■ United Arab Emirates
■ MENA
■ Sweden

Ranking from 0 (worst) to 100 (best)

Source: The World Bank

The banking sector is on a stable foundation with profitable and well-capitalised banks. The major banks in Abu Dhabi stand out in these respects. The main risks to the banking sector, in the form of new real estate bubbles and persistently low oil prices, are countered by good liquidity, large capital buffers and stricter banking regulation in recent years.

The UAE has the most liquid and developed currency markets in the Arabian Gulf. The UAE has a fixed exchange rate system, with the currency pegged to the US dollar. The fixed exchange rate and price stability will continue, as it creates stable conditions for companies and exports. There are no restrictions on payments and transfers for international transactions. The Emirates dirham can be considered by EKN in local currency transactions.

EKN:s policy

EKN classifies the UAE in country risk category 2 of 7. This assessment is carried out in collaboration with the OECD. EKN applies normal risk assessment for sovereign, public authorities, corporate and banking risks.

Swedish export to United Arab Emirates

	MSEK
2020	8 934
2019	8 815
2018	5 399
2017	6 326
2016	5 840

Source: SCB

EKN:s commitment and experience

EKN classifies the UAE in country risk category 2 of 7. EKN's guarantees include export transactions to the UAE in sectors such as transportation and machinery. During the period 2017–2021, EKN issued guarantees for 283 transactions with a total value of SEK 6.8 billion for Swedish companies exporting to the UAE. The largest sector in terms of amount in the flow was the machinery sector.

EKN:s exposure

	MSEK
Guarantees	1 547
Offers	1 361