

## Basic facts (2021)

Population: 10 million

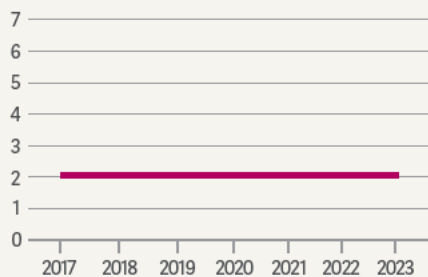
GDP, nominal: USD 419,8 billion

GDP/capita: USD 41 205



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 hydrocarbon revenues
- High debt in state-owned enterprises
- Need for structural reforms, lack of protection for investors and creditors

## Well-developed economy

The United Arab Emirates (UAE) has one of the region's most well-developed economies. The UAE has large oil reserves, which make up around six per cent of the world's known oil reserves and about three per cent of natural gas reserves. Petroleum's constitute a key source of growth and accounts for around one third of the country's GDP. Oil-production costs in the UAE are among the lowest in the world. From a regional perspective, the economy is relatively diversified. A periodically low oil price since the oil price collapse in 2014 has forced the authorities to make large investments to reduce oil dependency. The country has successfully established itself in global trade and tourism and created a regional financial and travel hub.

Thanks to strong financial assets, public finances rest on a stable foundation. The country has a low government debt of 35 per cent of GDP. Debt is expected to decrease in the coming years. In 2021, the budget deficit, caused by pandemic-related measures in 2020, returned to a surplus. According to the International Monetary Fund (IMF), the budget surplus is expected to reach seven per cent of GDP in 2022. Public finances will remain strong in the coming years. The external position is strong, and the country is expected to remain a net creditor. External debt has increased in recent years and is high at 95 per cent of GDP. The risk of economic problems due to growing domestic debt is limited by a structural current account surplus. International reserves are large and amount to nearly two years of import coverage. In addition to the international reserves, there are extensive assets in oil funds, built up over decades of current account surpluses. The Emirate of Abu Dhabi's sovereign wealth fund is among the largest in the world.

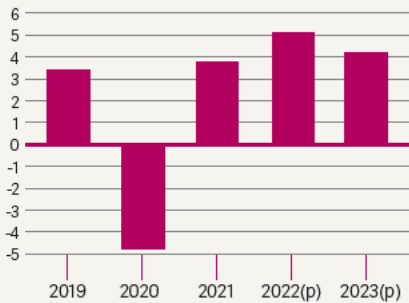
## Increased oil revenues enable diversification

High commodity prices caused by the war in Ukraine have benefitted the economy. High hydrocarbon prices have increased government revenues, reduced government debt and increased economic activity in the non-oil-related sector. In contrast to previous episodes of high oil prices, a tightened fiscal policy is expected. A weaker global outlook, prolonged inflation and a strong US dollar implies that country must continue to adapt its monetary policy to maintain the currency's fixed exchange rate to the dollar. The peg has provided stability for several decades, and, despite the lack of monetary flexibility that it entails, the authorities seem committed to it, as it provides economic stability.

Despite deteriorating global conditions, the macroeconomic outlook for UAE is strong. IMF predicts a robust GDP growth of at four per cent in 2023. The reform agenda for diversification of the economy is extensive, for example through the UAE Energy Strategy 2050 reform programme. The UAE has shown resilience in previous periods of low oil price thanks to a relatively diversified economy, a well-regulated banking system, political stability and large financial assets. The country is the region's largest recipient of foreign direct investment. Investors are attracted by liberal trading and favourable investment conditions, which attract capital flows both from within and outside the region. In future, the UAE is expected to face greater competition for investors from neighbouring countries such as Saudi Arabia and Qatar. To continue attracting foreign investors,

# United Arab Emirates

## Real GDP growth (constant prices, % per annum)

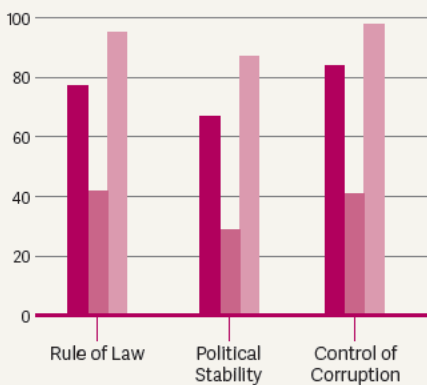


Source: IMFWEQ, Macrobond

structural reforms are needed to diversify the economy and strengthen the private sector.

The long-term prospects for the country are relatively good and there are few threats to its political and economic stability. The UAE exhibits a high degree of stability in an otherwise turbulent region. Improved relations with neighbours, such as Qatar and Israel, are expected to contribute to increased regional stability. For example, a free trade agreement was concluded with Israel in 2022. The long-term outlook will remain dependent on global oil market trends. The global trend towards renewables poses a threat to the country in the long term. Development in the country is heavily dependent on the authorities' willingness to invest in creating growth in non-oil-related sectors and jobs in the private sector. A successful implementation of structural reforms for economic diversification is expected to enable a balanced energy transition and provide a strong long-term economic growth.

## Business environment



■ Unites Arab Emirates  
■ Middle East & North Africa  
■ Sweden

Ranking from 0 (worst) to 100 (best)

Source: The World Bank, Macrobond

## Business environment

In the World Bank's Ease of Doing Business Index, the UAE is ranked 16 out of 190 ranked countries, which is the highest ranking in the region (2020). In Transparency International's Corruption Index, the UAE ranks better than several EU countries, at 24 out of 180 countries. According to the World Bank's Worldwide Governance Indicators (WGI), which include various measurements of the quality of institutions and the regulatory environment, the country is ranked 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, such as investor protection and the possibility to enforce contractual rights, lag behind. The cost of the recycling process is high and time-consuming, even in a regional comparison.

The UAE has the most liquid and well-developed currency markets among the Gulf States. Since 1973, the exchange rate has been linked to the US dollar. The peg towards the US dollar is expected to remain in place, as it is an important anchor for economic stability and creates stable conditions for companies and exports. There are no restrictions on payments and transfers for international transactions. The AED can be considered by EKN in local currency transactions.

The country is one of the most bank dense in the region. 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 recovery from the pandemic has been good and the asset quality has improved. 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. Pressures from Western countries, especially from the United States, to review control and transparency of the financial markets have yielded some results.

## Swedish export to United Arab Emirates

	MSEK
2021	6 791
2020	8 934
2019	8 815
2018	5 399
2017	6 326

Source: SCB

## EKN:s policy

EKN's guarantees include export transactions to the UAE in sectors such as transportation and machinery. During the period 2018–2022, EKN issued guarantees for 278 transactions with a total value of just over SEK 7.4 billion for Swedish companies exporting to the UAE. The largest sector in terms of amount was the machinery sector.

## EKN:s exposure

	MSEK
Guarantees	2 168
Offers	2 560