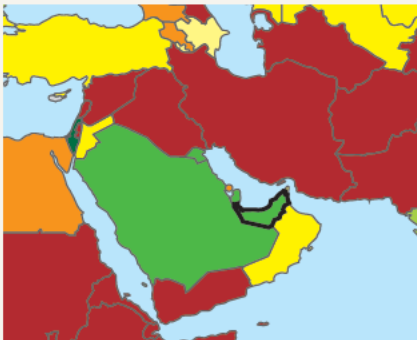


Basic facts (2023)

Population: 10 million

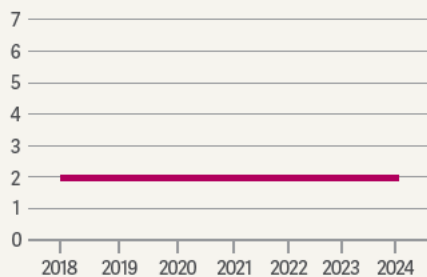
GDP, nominal: USD 51 billion

GDP/capita: USD 51 400



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

- Continued dependence on oil revenues
- Need for structural reforms, lack of protection for investors and creditors

Well-developed economy

The United Arab Emirates (UAE) is one of the Middle East's most developed economies. The UAE has extensive oil resources, which make up around six per cent of the world's known oil reserves and about three per cent of the world's natural gas reserves. The oil and gas sector is a dominant source of economic growth, accounting for a bit under 30% of the country's GDP, making the UAE one of the least oil-dependent countries in the Gulf. Even though oil is the main source of revenue for the federal government, sectors such as tourism, business services, and logistics have grown in importance in recent times. As in other Gulf countries, major efforts have been made for a number of years to diversify the economy and adapt it to a lower future demand for fossil fuels. The Emirate's president, Sheikh Mohammed bin Zayed al-Nahyan, is expected to maintain the current policy direction, which prioritises economic diversification through large public investments combined with improvements in the business environment and social rights in order to attract foreign investments. Despite the UAE's historic and strategic relationship with the United States, deepening ties with other countries, such as India and China, will continue to be developed in order to advance the country's security and commercial interests. The country's application, together with Saudi Arabia and others, to become part of the BRICS cooperation should also be seen in the light of this desire.

Thanks to substantial financial assets based on oil, public finances rest on a stable foundation. The country has a low level of public debt of just under 30% of GDP, which is expected to decrease further in the coming years. In 2023, the fiscal surplus from 2022 of just under 10% is expected to decrease to around 5% as a result of agreed production cuts within the OPEC+ and thus lower revenues. Nevertheless, the budget balance is expected to amount to an average of 3.7% over the next five-year period, according to the IMF. The external position is favourable and the country is expected to remain a net creditor. Total external debt has increased in recent years but amounts to a manageable 83% of GDP. Foreign exchange reserves are about twice as large as total short-term debt, which limits liquidity risks. In addition to the foreign exchange reserves, there are extensive assets in funds, built up over decades of current account surpluses, with the Emirate of Abu Dhabi's sovereign wealth fund being among the largest in the world.

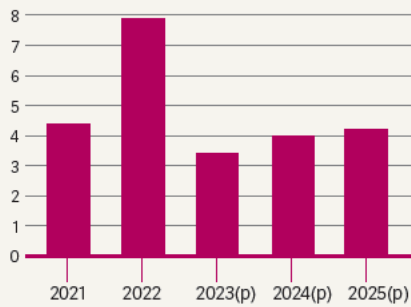
Resilient revenues despite production cuts

Higher commodity prices as a consequence of the war in Ukraine have had an impact on the economy. Global oil and gas prices have contributed to substantial revenues for the treasury, reduced the national debt, and increased economic activity in the non-oil-related sectors. A continued adjustment of monetary policy to mirror the conditions in the United States is expected, so as to preserve the fundamentals for the country's fixed exchange rate against the USD.

The IMF forecasts growth of 3.4% for 2023, which is then expected to increase as oil production restrictions are eased to slightly above 4% annually over the next two years. There are ambitious plans to invest in diversification for the economy, including via the UAE Energy Strategy 2050 reform programme. The country has

United Arab Emirates

Real GDP growth (constant prices, % per annum)

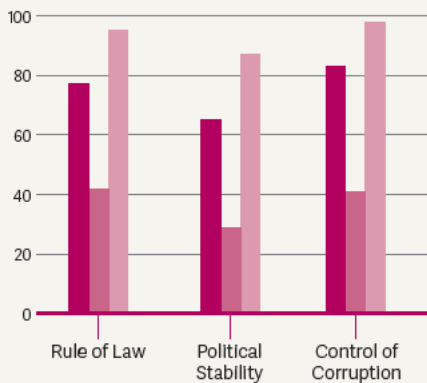


Source: IMFWEQ, Macrobond

withstood previous oil price declines well thanks to a relatively diversified economy, a well-regulated banking system, political stability, and substantial public assets. The United Arab Emirates is the region's largest recipient of foreign direct investment. Investors are attracted by liberal trade and investment conditions, which attracts capital flows from both within and outside the region. Going forward, the UAE is expected to face greater competition for investments from neighbouring countries such as Saudi Arabia and Qatar. This competitive environment is expected to benefit the business environment in all countries over the next decade.

The long-term prospects for the country look relatively favourable and there are very few threats to its political and economic stability. Improved relations with neighbouring Qatar and Israel are expected to contribute to greater regional stability. For example, a free trade agreement was signed with Israel in 2022, after both countries normalised their diplomatic relations in 2020. The primary long-term risk faced by the country is its continued dependence on oil exports along with the trend towards increased use of renewable energy. The security situation in the wider region continues to be dominated by the hostile relations between Iran and Israel, and may have an impact on Abu Dhabi's oil production and Dubai's role as a tourist destination and logistics hub. The UAE also continues to be involved, albeit on a somewhat smaller scale, in the civil war in Yemen.

Business environment



United Arab Emirates
The Middle East
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 Perceptions Index, the UAE is ranked at 27 (out of 180 countries), which actually is a better ranking than several EU countries. The World Bank's Worldwide Governance Indicators (WGI), which includes various measurements of the quality of public institutions and the regulatory environment, places the country above the regional standard. Nevertheless, 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 costs for a recovery process are high and time-consuming, even in a regional comparison. In order to respond to these shortcomings, in 2021 the UAE introduced a number of changes to its bankruptcy legislation plus enhanced protection for creditors, including speeding up and simplifying the enforceability of court judgments.

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 policy of fixing the exchange rate to the US dollar is expected to remain in place, as it is an important anchor for economic stability and it establishes stable preconditions for companies and exports. There are no restrictions on payments and transfers for international transactions. The UAE dirham (AED) can be given consideration 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 economic impacts of the coronavirus pandemic has proceeded well, assisted by an overall favourable economic climate as a result of high oil prices. The main

Swedish export to United Arab Emirates

	MSEK
2022	8 608
2021	6 791
2020	8 934
2019	8 815
2018	5 399

Source: SCB

EKN:s exposure

	MSEK
Guarantees	1 247
Offers	2 662

United Arab Emirates

risks to the banking sector, in the form of new real estate bubbles and persistently low oil prices, are countered by a stable funding base, large capital buffers, and stricter banking regulation in recent years. The UAE will potentially be removed from the “grey list” by the Financial Action Task Force (FATFA) in early 2024. This should facilitate compliance requirements for foreign banks that have relationships with counterparties in the country and facilitate trade and investments.

EKN:s policy

EKN classifies the UAE in country risk category 2 (out of 7). Normal risk assessment applies to all debtor categories. This means that there are no predetermined restrictions for guarantees and each transaction is assessed on its own merits without special requirements or terms and conditions.

EKN:s commitment and experience

EKN’s guarantees include export transactions to the UAE in sectors such as transportation, infrastructure and paper. During the period 2018–2022, EKN issued guarantees for Swedish companies exporting to the UAE for 283 transactions with a combined value of just over SEK 7.7 billion. The largest sector in the flow in terms of amount was the transport sector.

The payment experience is mixed, and the fall in oil prices in 2014 has led to delays in payment and indemnifications. As a result of weaker market conditions, since 2016 EKN has experienced increased payment problems for companies in the UAE. A strong recovery from the economic impacts of the coronavirus pandemic, high oil prices, and good market prospects have recently improved the experience with payments.