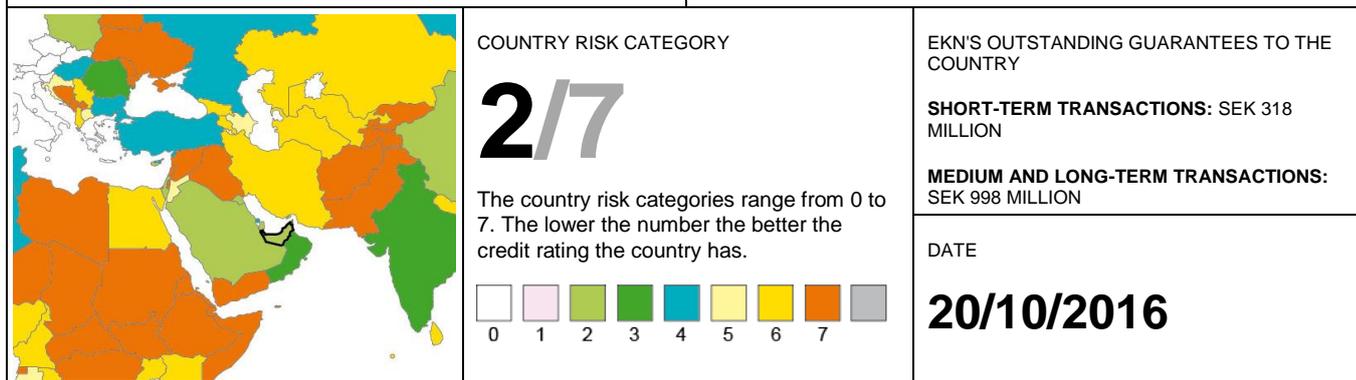


United Arab Emirates



Low oil price manageable thanks to solid economy

The United Arab Emirates has done a good job of withstanding the low oil price of the past years thanks to a relatively diversified economy, a well-regulated banking system, political stability and sizeable government assets. Growth has fallen due to lower growth in the oil sector, but will remain between two and three per cent of GDP for the next two years. The oil price decline created a budget deficit and impaired the balance of payments, but the situation is still manageable in consideration of the country's strong financial position. The country's outlook is relatively bright, and there are few threats to political and economic stability.

The United Arab Emirates is one of the countries in the Middle East and North Africa to which EKN has the highest exposure. EKN's payment experience in the country has been positive historically. EKN's country policy for the United Arab Emirates does not put any specific restrictions on the issuing of guarantees.

THE COUNTRY'S STRENGTHS AND WEAKNESSES

Strengths

- Political stability in a turbulent region.
- The country's strong public finances and oil reserves.
- Abu Dhabi is expected to support the federation and the other emirates when needed.

Weaknesses

- Highly indebted state-owned companies.
- Oil dependence creates economic vulnerability.
- Lack of protection for investors and lenders.

Country risk category 2

EKN categorises the UAE in country risk category 2 out of 7 – an assessment made in collaboration with the OECD. Normal risk assessment applies to all types of buyers, which means that there are not any specific restrictions on the issuing of guarantees.

WHAT MIGHT CAUSE A CHANGE IN THE COUNTRY POLICY?

The policy may be made less restrictive in the event of

- Economic diversification and reduced oil dependence.
- Improved protection for investors and lenders.

The policy may be made more restrictive in the event of

- Rising debt in the real estate sector.
- Prolonged period of low oil price negatively impacting the balance of payments and public finances.

EKN'S EXPOSURE AND EXPERIENCE

Extensive and positive experience

In the period between 2011 and 2015, EKN has issued guarantees for 125 transactions totalling SEK 5.1 billion for Swedish companies exporting to the UAE. EKN's experience is generally positive. Temporary payment delays have occurred, but they are generally paid. Indemnifications have been kept to a minimum as a result. For supplier credits, there have been many cases where local promissory notes or bills of exchange have proven to be effective in the event of payment problems.

COUNTRY ANALYST



EKN's country analyst for the United Arab Emirates:

Victor Carstenius

Telephone: +46 (0)8-788 00 65

email: victor.carstenius@ekn.se

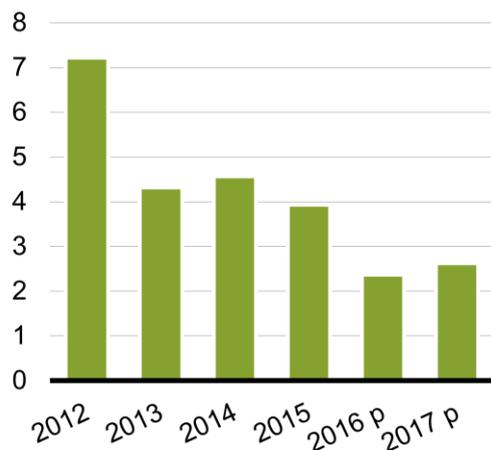
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Oil price decline manageable, but necessitates austerity

The United Arab Emirates is demonstrating an unusually high degree of stability in an otherwise turbulent region. However, increasing concern over Iran, the Muslim Brotherhood and the Islamic State has led to mass arrests and a more aggressive foreign policy over the past years. Direct interventions in the conflicts in Yemen, Libya and Syria raises the risk of domestic terrorist attacks, but is not expected to harm the business climate to any significant extent.

GDP GROWTH (% PER YEAR)



Lower oil price slowing down growth. Data: IMF

price decline and as mortgage regulations have been made more restrictive.

The oil price decline and lower public spending will bring down economic growth to between two and three per cent in the coming years. Credit growth, tourism and trade signal continuing strong economic activity, with the exception of oil and gas. The economic performance of the emirate Dubai has diversified the country's sources of income in a positive way. Infrastructure projects in preparation for World Expo 2020 are expected to help prop up growth in Dubai. The risk of a new property bubble in Dubai has decreased now that property prices have fallen since the oil

The oil price decline has necessitated fiscal austerity, especially by cutting subsidies for fuel and electricity. Lower public spending combined with slightly higher oil exports will reduce the country's vulnerability to low oil prices. If the oil price stays low, the government has the option of raising taxes and cutting subsidies, as well as increasing its debt which is currently low. Less generous grants to citizens and new taxes could lead to long-term changes in the social contract between citizens and the government, which could lead to limited political reforms in the long term as well.

The current account balance has gone from a substantial surplus to a small deficit. The country will retain its status as a net creditor. In addition to the international reserves, the country holds sizeable assets in oil funds accumulated over decades of current account surpluses. The public finances are resting on a stable foundation thanks to the country's extensive financial resources.

The country is expected to continue pegging its currency to the US dollar, as this serves as an important anchor for economic stability and creates stable conditions for companies. There are not any restrictions on payments and transfers for international transactions. Emirate dirhams can be considered by EKN in transactions financed in local currency.

Stable banks and generally favourable business environment

The banking sector rests on a stable foundation with mostly profitable and well-capitalised banks. The major banks in Abu Dhabi distinguish themselves in these respects. The main risks for the banking sector, in the form of new property bubbles and prolonged low oil price, are counteracted by solid liquidity, high capital buffers and stricter banking regulation in recent years.

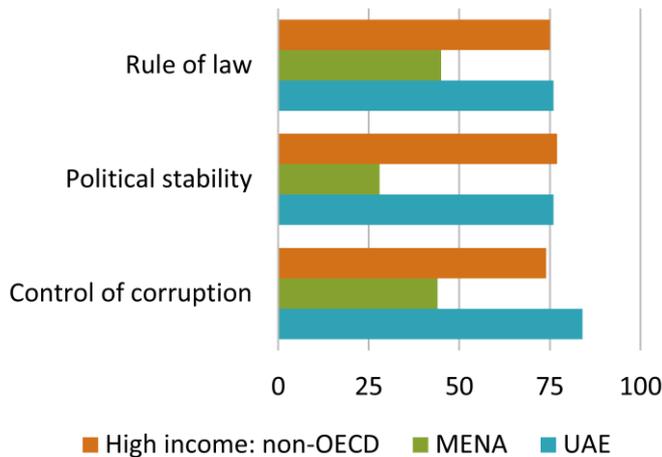
The country's business climate is ranked favourably by the World Bank. Some areas, such as investor protection and the ability to enforce rights under contracts, are lagging behind. Recovery proceedings are costly and take a long time, even in comparison with the rest of the region. The legal system of the United Arab Emirates is not politically independent and it exhibits deficiencies in terms of efficiency.

A new bankruptcy law in line with international practice is being expedited to enable implementation in 2017. The current legislation treats defaulting debtors as criminals and can send them to jail, which has scared off foreign investors. Many entrepreneurs who defaulted during the 2008 financial crisis abandoned their assets and fled the country instead of

negotiating with their creditors. The new legislation is a part of the country's efforts to develop its economy. The reform will most likely stimulate the economy by encouraging small-scale investments, while giving the banking sector the opportunity to restructure bad loans.

BUSINESS ENVIRONMENT

Ranking from 0 (worst) to 100 (best)



The United Arab Emirates are ranked above average in the Middle East and North Africa. Source: World Bank