

# CareEdge Global assigns 'Stable' outlook to the rating of Kingdom of United Arab Emirates

## Reaffirms Long-Term Foreign Currency Rating of 'CareEdge AA-' (Unsolicited)

Issuer rating

CareEdge AA-/Stable (Unsolicited)

CareEdge Global has assigned a 'Stable' outlook to the rating of the Kingdom of United Arab Emirates, while reaffirming the Long-Term Foreign Currency rating of 'CareEdge AA- (Unsolicited)'.

The stable outlook reflects CareEdge Global Ratings expectations that the consolidated fiscal balance for UAE (primarily driven by its two largest emirates, Abu Dhabi and Dubai) shall continue to be in surplus in the near to medium term. The significant external buffers and an expected steady economic growth rate (average of 4% annually between 2025 and 2028) also should continue and provide additional support.

Together, these factors should offset the near-term impact of ongoing geopolitical conflicts in the region and the country's still significant, though reducing, dependence on hydrocarbons. The existence of pipeline infrastructure should enable UAE to bypass the strait of Hormuz, should the conflict escalates.

### Upside Scenario

The rating could be upgraded based on a combination of faster economic growth than expected, on a sustainable basis, significant diversification across other sectors beyond hydrocarbons over the medium term, and greater transparency in the public domain regarding fiscal profile and contingent liabilities with respect to government-related entities.

### Downside Scenario

The rating could face downward pressure if there is faster than expected deterioration in the fiscal and external profile. Also, crystallization of risks associated with real estate bubble and subsequent impact on the banking sector could lead to a downgrade. An unexpected intensification of regional conflicts may likewise trigger a downgrade in ratings

### Rationale

The reaffirmation of the rating of United Arab Emirates (UAE), a federation of seven emirates, primarily reflects its large sovereign wealth funds, mainly held by the Abu Dhabi Investment Authority, which provide a significant buffer to the country's fiscal and external profiles. Abu Dhabi, the largest and most creditworthy of the emirates, contributes about 65% and 96% to the total GDP and oil reserves of the UAE respectively. Furthermore, the UAE remains one of the top preferred destinations for expatriates in the world.

Despite these positives, the economy faces challenges like high dependence on hydrocarbons, exposure to regional geo-political risks, and limited monetary flexibility due to its fixed exchange rate regime.

## **Key Rating Drivers**

### **Economic Structure & Resilience**

UAE is a moderately sized economy (with a nominal GDP of USD 545 billion in 2024), of which about 85% is contributed by the two key emirates of Abu Dhabi and Dubai. The economy benefits from its high GDP per capita (USD67981 constant PPP in 2024), a large stock of oil reserves together with competitive production costs, and a strong rebound in its economic growth post-pandemic averaging 4.6% between 2021-24 against Gulf Co-operation council (GCC)'s average of 2.8% in the same period. The growth is expected to be strong in the medium-term too, as UAE has been able to diversify and establish itself as a tourism, real estate, and financial hub in the region. Owing to its lower tax regime, the UAE attracts a significant number of expatriates, accounting for about 88% of its population.

UAE has invested in some large-scale infrastructure projects like building railways, airport terminals, improving road connectivity across emirates. To boost tourism, large amusement and water parks are being built. UAE is also investing heavily in artificial intelligence data centres. UAE's gross capital formation as percentage of GDP stands at 25% in 2023 and is expected to remain healthy.

Residential sales prices increased by 20% and rental prices increased by 19% in 2024 in Dubai. Similarly, Residential sales in Abu Dhabi rose by 13% in 2024 and rental prices have increased by 20% in 2024. Rise in residential sales has been aided by robust population growth at 5% driven by the Golden visa programme and UAE's status as a tax haven.

Even with these positives, the economy continues to rely on hydrocarbons for its wealth and income and therefore remains vulnerable to oil price movements. UAE faces challenges from adjusting to lower global hydrocarbon demand in the long-term future and transition to clean energy. Any escalation in regional tensions like Israel-Iran could exert downside on tourism, energy prices and weak investor confidence.

## **Fiscal Strength**

The consolidated general government debt is low at 32.1% of GDP in 2024. However, including the liabilities of the government-related entities (GREs), the debt-to-GDP ratio is estimated to increase to a moderate level of about 55%. The contingent liabilities risks are somewhat mitigated by the large fiscal buffers. The individual emirates of UAE have accumulated significant sovereign financial assets estimated to be around 340% of the total GDP of UAE in 2024 (largest being Abu Dhabi's sovereign wealth fund - Abu Dhabi Investment Authority), providing the federation with a high degree of resilience to withstand shocks.

The consolidated budget surplus was 4.8% in 2024 and is expected to remain in surplus over the medium term too. The fall in oil prices is expected to be mitigated by higher oil production levels.

At the individual emirates level, the major emirates Abu Dhabi, Dubai and Ras-Al-Khaimah are all expected to be in fiscal surplus and moderate debt levels. Sharjah is expected to have wide fiscal deficit estimates at about 6% of its GDP and debt levels are also expected to rise from the current 70% of GDP levels. Across emirates, we estimate debt worth about 4% of GDP to mature in 2025-26. However, we believe roll-over risks are low.

The size of the federal budget of UAE is smaller, at about 4% of GDP, limiting its flexibility, though reflecting its narrow responsibilities as well. The federal government maintains a balanced budget, consistent with the law. The federal government's revenue consists of grants from Abu Dhabi and Dubai, shares in taxes and dividends, and profits from shares of state-owned enterprises.

## **External Position & Linkages**

UAE's current account surplus is significant, averaging 9.5% of GDP between 2020-2024. The net international position is also highly positive, estimated at 170% of GDP in 2023, primarily arising out of large sovereign wealth funds invested in reserve currency assets. Gross forex reserves at USD218 billion in 2024, equivalent to imports of 7.5 months, also act as a buffer. The economy is competitive and ranks 16th on ease of doing business translating to strong FDI inflows (net inflows as a percent of GDP at 6.1% in 2023). As the regional countries also open their economies to foreign investments, UAE may face competition from attracting flows.

## **Monetary & Financial Stability**

A fixed exchange rate regime constrains monetary policy flexibility. UAE Dirham is pegged to USD which is backed by adequate reserves. The central bank does not have any explicit inflation target; however, it has managed the inflation well.

Non-performing loans in the banking sector are elevated at 4.6% of total loans in 2024, due to relatively relaxed lending standards. However, in the recent past, the banks have increased their capital buffers and enhanced focus on quality of lending. Banks' substantial exposure to

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real estate (~19% of outstanding credit) could pose a risk, in case of any downturn.

### **Institutions & Quality of Governance**

UAE is a federal system of seven emirates. Each emirate maintains considerable autonomy in running its own economies, and the responsibility of the federal government is limited to a few key areas such as education, health, defense, and infrastructure. UAE ranks well in the Worldwide Governance Indicators (WGI) on most of the parameters like government effectiveness, rule of law, regulatory quality, control of corruption; implying strong governance standards and effective institutions.

However, the UAE ranks low on voice and accountability in WGI (15th percentile). Sheikh Mohamed bin Zayed Al Nahyan, ruler of Abu Dhabi is the current president of the UAE. Critical decisions on budget and choosing the President are taken through the consensus of the ruling families, though Abu Dhabi and Dubai have relatively greater influence. Since the decisions are taken by ruling families, transparency and accountability are relatively limited. Ease of data availability is constrained, particularly with respect to external debt and GRE balance sheets. The economy is also exposed to regional geo-political tensions.

UAE– Select Indicators									
	Unit	2019	2020	2021	2022	2023	2024	2025F	2026 F
Economic Indicators									
Nominal GDP	USD Billion	418	349	415	503	514	545	569	602
GDP Per Capita (Constant-PPP)	USD	68,468	66,625	67,523	67,485	67,319	67,981	70,873	73,904
Real GDP Growth	%	1.1	-5.0	4.4	7.5	3.6	4.0	5.1	5.1
GFCF/GDP	%	18.4	20.2	23.5	24.2	24.8	-	-	-
Gross Domestic Savings/GDP	%	47.7	38.5	44.5	45.2	42	-	-	-
Exports (G&S)/GDP	%	93.7	96.9	100.2	102.4	108.6	-	-	-
Working-Age (15-64) Population (% Share in Total)	%	83.8	83.4	83.1	82.9	82.9	83.0	83.1	83
Old-Age (65+) Population (% Share in Total)	%	1.5	1.7	1.8	1.8	1.9	1.9	1.2	1.3
Fiscal Indicators – General Government									
Fiscal Balance/GDP	%	2.6	-2.5	4.0	10.0	5.9	4.8	2.9	2.9
Revenue/GDP	%	31.0	28.7	30.4	33.1	29.0	28.0	26.9	26.9
Expenditure/GDP	%	28.4	31.1	26.4	23.1	23.0	23.2	24.0	24.0
GG Gross Debt/GDP	%	26.8	41.3	36.3	32.1	32.4	32.1	32.8	32.6
Interest/Revenue	%	1.0	1.0	1.0	1.6	-	-	-	-
External Indicators									
Current Account Balance/GDP	%	-2.8	-3.5	-1.7	-2.4	-2.2	-1.2	-2.8	-2.3
FDI, Net Inflows/GDP	%	2.4	4.3	5.7	4.9	4.5	6.1	-	-
Foreign Exchange Reserves	USD Billion	99.3	108.1	106.5	127.8	127.8	131	-	-
Import Cover	Months	6.5	8.7	7.3	7.2	7.2	7.2	7.2	7.2
External Debt/GDP	%	81.1	110.0	97.4	80.5	94.7	95.2	95.1	-
Monetary and Financial Indicators									
CPI Inflation	%	-1.9	-2.1	-0.1	4.8	1.6	2.3	2.1	2.0
Exchange Rate (Average)	LC per USD	3.67	3.67	3.67	3.67	3.67	3.67	3.67	3.67
Non-Performing Loans/Total Gross Loans	%	6.0	7.6	7.3	6.4	5.9	4.6	-	-
Private debt, loans and debt securities/GDP	%	99.5	103.7	108.8	108.8	105.5	-	-	-

Sources: International Monetary Fund, World Bank, Bank for International Settlements, National Sources, CareEdge Global

Note: F - Forecast; PPP – Purchasing Power Parity; GFCF – Gross Fixed Capital Formation; Exports (G&S) – Exports of Goods and Services; GG – General Government; FDI – Foreign Direct Investment; FII – Foreign Institutional Investment; NIIP – Net International Investment Position; Data refers to fiscal/calendar year and actual/estimate as reported by the source; Where general government data is unavailable, central government data is used; Latest available data for 2023

## Solicitation Status

The rating is unsolicited

## Rating History

Instrument	Type	Rating	Date
Issuer Rating	Long-Term Foreign Currency (Unsolicited)	CareEdge AA-/Stable	June 27, 2025
Issuer Rating	Long-Term Foreign Currency (Unsolicited)	CareEdge AA-	October 03, 2024

## Criteria Applied

[CareEdge Sovereign Rating Methodology](#)

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