

BEST'S COUNTRY RISK REPORT

United Arab Emirates

CRT-3

August 22, 2019

Region: Middle East & North Africa

[Country Risk Criteria Procedures](#)

[Guide to Best's Country Risk Tiers](#)

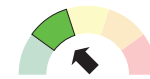
- The Country Risk Tier (CRT) reflects AM Best's assessment of three categories of risk: Economic, Political, and Financial System Risk.
- The United Arab Emirates (UAE) is a CRT-3 country with low levels of economic and financial system risk and a moderate level political risk.
- Continued efforts by the government to diversify the economy away from oil will support long-term growth, lessen economic volatility, and help facilitate more foreign investment.
- The map depicts countries in the region that AM Best evaluates for country risk. The region contains countries with risk levels ranging from CRT-3 to CRT-5.



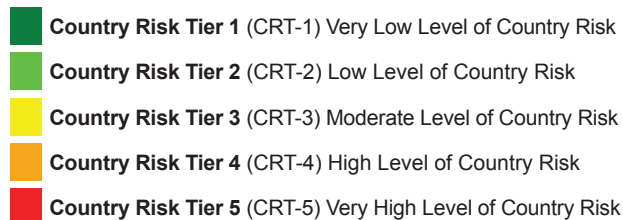
Economic Risk



Political Risk



Financial System Risk



Regional Summary: Middle East & North Africa

- Higher global interest rates, particularly if interest rates increase faster than expected, raise the potential for greater fiscal vulnerabilities and tighter credit conditions. According to the IMF, debt in the region has increased an average of 10% of GDP each year since 2013, owing to countries financing large fiscal deficits through increased borrowing and draw downs of fiscal buffers.
- Economic growth for the region is estimated to increase in 2018 on strengthening global growth, a moderate rise in oil prices, easing fiscal adjustments, reforms to promote non-oil sector growth, and growing infrastructure investment.
- Fiscal consolidation and revenue generating programs implemented over the last few years continue, albeit at a slower pace. Revenue measures include the introduction of a value-added tax (January 2018) in Saudi Arabia and the United Arab Emirates, with other countries likely to implement similar measures by the end of the year. Improving the efficiency of public spending (via a bill that lowers the government wage and benefits, for example) on the expenditure side is also a priority.

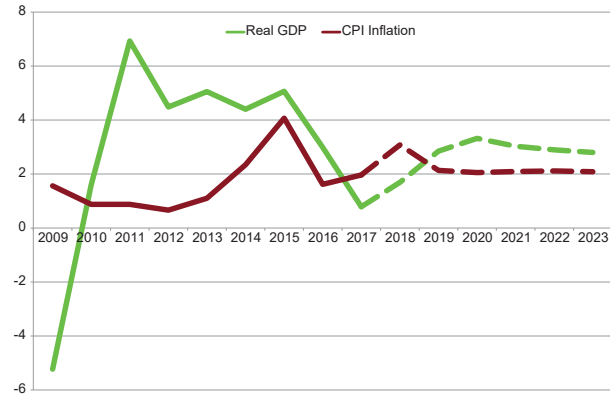
Vital Statistics 2018		
Nominal GDP	USD bn	424.64
Population	mil	10.4
GDP Per Capita	USD	40,711
Real GDP Growth	%	1.7
Inflation Rate	%	3.1
United Nations Estimates		
Literacy Rate	%	n.a.
Urbanization	%	86.2
Dependency Ratio	%	17.7
Life Expectancy	Years	77.4
Median Age	Years	33.4
Insurance Statistics		
Insurance Regulator	Dubai Financial Services Authority, UAE Insurance Authority	
Premiums Written (Life)	USD mil	2,656
Premiums Written (Non-Life)	USD mil	9,548
Premiums Growth	%	19.2
Regional Comparison		
	Country Risk Tier	
United Arab Emirates	CRT-3	
Bahrain	CRT-4	
Kuwait	CRT-3	
Oman	CRT-4	
Qatar	CRT-3	
Saudi Arabia	CRT-3	

Source: IMF, UN, Swiss Re, Axco and AM Best



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Economic Growth (%)



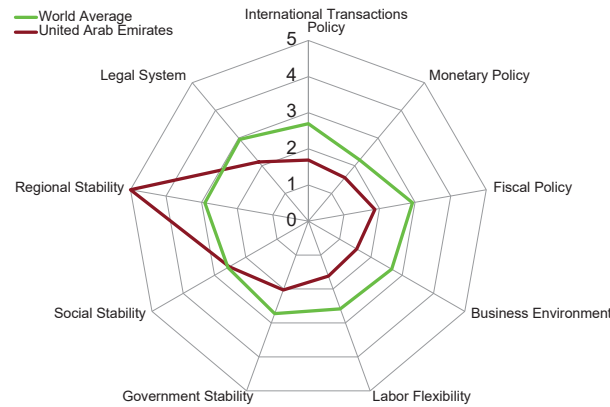
Source: IMF World Economic Outlook and AM Best

Economic Risk: Low

- The UAE's economy is relatively diversified, especially in comparison to other Gulf Cooperation Council (GCC) countries, although oil dominates the economy. Due to the oil production quotas implemented by OPEC, oil GDP growth will likely be a drag on the economy in 2019.
- Progress in economic diversification has lowered the oil sector's portion of GDP to approximately 50%. The private sector continues to expand in areas such as tourism, trade, construction, and manufacturing.
- The UAE has significant financial sovereign wealth buffers that allow fiscal consolidation efforts to precede gradually. Some estimate that the largest and most affluent emirate, Abu Dhabi, has between USD 700 billion and USD 800 billion under management in its Investment Authority, making it one of the world's largest sovereign wealth funds.
- Higher spending on infrastructure ahead of the World Expo 2020 will act as a tailwind to growth over the medium term.

Political Risk Summary

Score 1 (best) to 5 (worst)

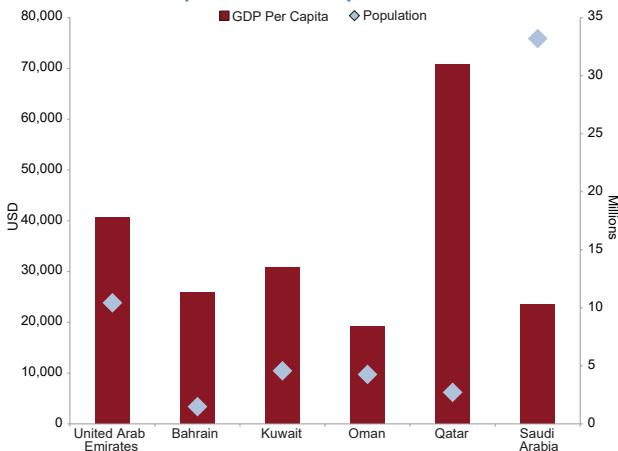


Source: AM Best

Political Risk: Moderate

- The UAE is a federation of seven emirates. The federal government is responsible for foreign affairs, security, health, education, and currency, while the emirates retain power over matters not constitutionally assigned to the federal government. The federation is presided over by the ruler of Abu Dhabi, Crown Prince Mohammed bin Zayed al-Nahyan.
- Consultation across the seven emirates has delayed the passage of federal legislation, owing to different agendas among the emirates.
- The government has effectively mitigated fiscal issues resulting from lower oil prices by enacting subsidy reforms and other expenditure cuts.
- The government has further mitigated the recent shortfall in oil revenue by issuing bonds in the international markets, as well as drawing on assets from the country's sovereign wealth fund.
- The UAE's participation in the Saudi-led coalition against Yemen, and its participation in the anti-Islamic State coalition does make it an aspirational target for terrorists. However, the threat of domestic protests is minimal, as the UAE has a zero tolerance policy against dissent.

GDP Per Capita and Population



Source: IMF and AM Best

Financial System Risk: Low

- Dubai developed the Dubai International Financial Center (DIFC) in 2004 and designated it a free trade zone.
- The DIFC is regulated by the Dubai Financial Services Authority, an independent regulatory body officially recognized by the federal UAE government. The Insurance Authority supervised the insurance industry within the greater UAE.
- The stock markets and the real estate sector continue to experience high levels of volatility.