



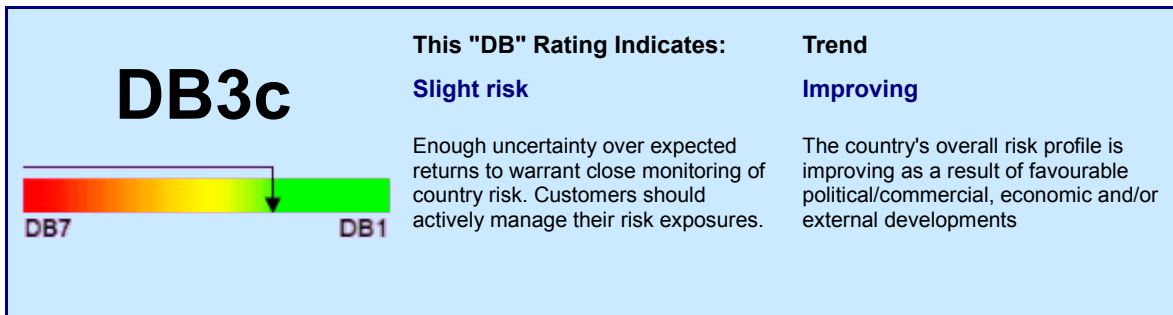
Decide with Confidence

# UNITED ARAB EMIRATES

Region : Middle East

Edition : January 2013

## D&B Country Risk Indicator



The 'DB' risk indicator provides a comparative, cross-border assessment of the risk of doing business in a country and encapsulates the risk that country-wide factors pose to the predictability of export payments and investment returns over a two year time horizon. The 'DB' risk indicator is a composite index of four over-arching country risk categories:

*Political risk* - internal and external security situation, policy competency and consistency, and other such factors that determine whether a country fosters an enabling business environment;

*Commercial risk* - the sanctity of contract, judicial competence, regulatory transparency, degree of systemic corruption, and other such factors that determine whether the business environment facilitates the conduct of commercial transactions;

*External risk* - the current account balance, capital flows, FX reserves, size of external debt and all such factors that determine whether a country can generate enough FX to meet its trade and foreign investment liabilities;

*Macroeconomic risk* - the inflation rate, government balance, money supply growth and all such macroeconomic factors that determine whether a country is able to deliver sustainable economic growth to provide further expansion in business opportunities.

The DB risk indicator is divided into seven bands, ranging from DB1 through DB7. Each band is subdivided into quartiles (a-d), with an 'a' designation representing slightly less risk than a 'b' designation and so on. Only the DB7 indicator is not divided into quartiles.

## Key Facts

<b>Population:</b>	8.1m
<b>Surface area (sq km):</b>	83,600
<b>Capital:</b>	Abu Dhabi
<b>Timezone:</b>	GMT +04:00
<b>Official language:</b>	Arabic
<b>Head of state:</b>	President KHALIFA bin Zayid al-Nahyan
<b>GDP (USD):</b>	354.3bn
<b>GDP per capita (USD):</b>	43,713
<b>Life expectancy (years):</b>	79
<b>Literacy (% of adult pop.):</b>	77.9

### Country Overview:

A federation of seven emirates, the United Arab Emirates (UAE) lies at the southern end of the Persian Gulf on the Arabian Peninsula bordering Saudi Arabia and Oman. It gained independence in 1971 and is a member of the Gulf Co-operation Council.

The economy is heavily dependent on hydrocarbon earnings, which accounted for over 40% of GDP and almost 50% of exports in 2007. However, each emirate has an autonomous economic policy, with Abu Dhabi and Dubai accounting for almost 90% of GDP. Dubai, with its lesser oil reserves, has led the way in diversifying its economy away from oil dependency; however, this has been at the cost of raising levels of government debt. Abu Dhabi is also now following a policy of diversification. Both emirates have a significant portfolio of foreign assets.

The royal families of the emirates have recycled the oil wealth to significantly improve the living standards of local people; consequently, no political opposition has developed to their continued benign authoritarian rule.

## Trade & Commercial Environment

### Trade Terms

<b>Minimum Terms:</b>	SD
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The minimum form of documentation or trading method that D&B advises its customers to consider when pursuing export trade with the stated country.

<b>Recommended Terms:</b>	LC
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D&B's recommended means of payment. The use of recommended terms, which are generally more stringent than minimum terms, is appropriate when a customer's payment performance cannot be easily assessed or when an exporter may wish to limit the risk associated with a transaction made on minimum terms.

<b>Usual Terms:</b>	30-90 days
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Normal period of credit associated with transactions with companies in the stated country.

### Transfer Situation

<b>Local Delays:</b>	0-2 months
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The time taken beyond agreed terms for a customer to deposit money in their local bank as payment for imports.

<b>FX/Bank Delays:</b>	0-1 month
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The average time between the placement of payment by the importer in the local banking system and the receipt of funds by the exporter. Such delays may be dependent on FX controls, FX availability and the efficiency of the local banking system.

### Trade & Commercial Environment

The UAE improved its score in the World Economic Forum's latest *Global Competitiveness Index* for 2012-13. The country's score rose to 5.1 out of 7.0, up from 4.9 the previous year. The country's ranking also rose from 27th globally (out of 142 countries) to 24th. The UAE scored poorly in some areas of education and (predictably) market size. Firms surveyed for the report highlight that the factors that most undermine doing business in the UAE are restrictive labour regulations (19.2%) and access to finance (19.1%), although in a separate WEF report, the Financial Development Report, the UAE was ranked 4th out of 62 countries for financial stability. And in another report released by the World Bank, the UAE was ranked 1st globally for its business-friendly tax regime.

### Export Credit Agencies

US Eximbank	Full cover available
Atradius	Full cover available
ECGD	Full cover available
Euler Hermes UK	Full ST cover available

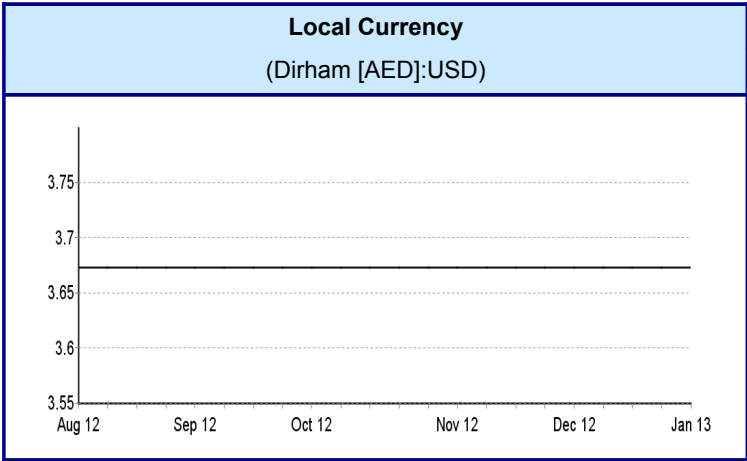
### Economic Indicators

	2010	2011	2012	2013f	2014f
Real GDP growth, %	1.3	4.2	3.9	4.6	5.1
Inflation, annual ave, %	0.9	0.9	0.7	1.5	3.5
Govt balance, % GDP	-1.3	2.9	3.1	3.6	4.2
Oil price, USD/b	79.6	111.3	111.7	109.7	113.5
C/A balance, % GDP	3.7	11.2	9.7	9.3	11.9

Economic Indicators: Government balance figures refer to the consolidated balance.

### Currency Information

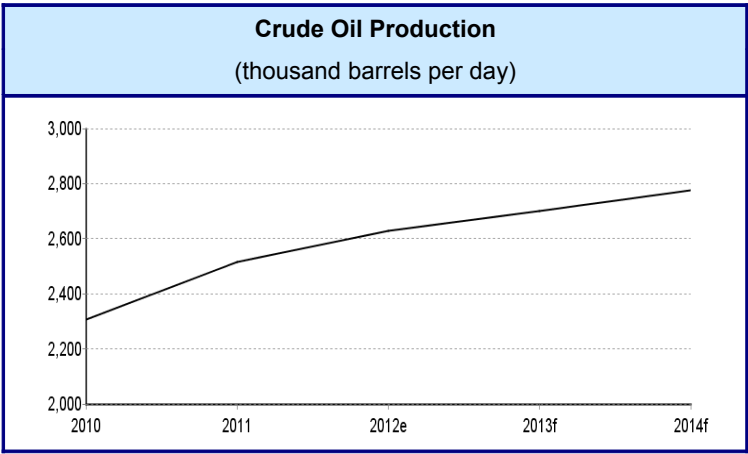
Exchange Rates	
(London, 07 Jan 13)	
EUR	4.7915
GBP	5.8903
JPY*	4.172
USD	3.6731
*(x 100)	



**Local Currency**  
(Dirham [AED]:USD)

	Aug 12	Sep 12	Oct 12	Nov 12	Dec 12	Jan 13
<b>Week 1</b>	3.673	3.673	3.673	3.673	3.673	3.673
<b>Week 2</b>	3.673	3.673	3.673	3.673	3.673	
<b>Week 3</b>	3.673	3.673	3.673	3.673	3.673	
<b>Week 4</b>	3.673	3.673	3.673	3.673	3.673	
<b>Week 5</b>			3.673			

**Crude Oil Production**



**Data Table**

2010	2011	2012e	2013f	2014f
2305.0	2517.0	2630.0	2700.0	2775.0

## Risk Factor

In late December the Central Bank issued a decree capping mortgage lending. The move, which limited expatriate borrowing to 60% of the property's value and lending for UAE nationals to 75%, initially created confusion in the local market place. Banks quickly dissociated themselves from the decree and publicly urged the Central Bank to explain its benefits. The aim of the move is to curb excessive buy-to-let investing and encourage home purchases, hence the cap is set even lower, at 50% and 60% respectively, for purchases of second homes. A Central Bank official said that the "regulations aim to protect both lenders and consumers' rights" and that it sought to make "a distinction between the owner, an investor and the resident". However, banks claimed that they were more likely to affect affordability than curtail speculation, while property companies warned that the plan is likely to halt the recovery of the property sector as well as bring prices down as buyers negotiate harder. Industry analysts suggested that property transactions could tumble by as much as 60% and prices could decline by as much as 20%. The new decree also placed a limit on the maximum loan on a property, the maximum tenure of the mortgage, and rules to make fees more transparent.

The move is also part of a broader effort by the Central Bank to bolster the asset quality of local banks. In July 2012 the Bank announced a raft of measures to reduce risk in the banking system, including new limits on lending to government-related entities (GREs), stipulations for banks to hold liquid assets equal to 10% of their liabilities and to strengthen chip and pin security on debit cards. The regulations were due to come in force on 31st December, but after lengthy negotiations with banks, the regulator agreed in mid-December to postpone implementation for six further months. The decision came just after a move by Moody's, a credit rating agency, to downgrade the ratings of three Dubai-based banks (Emirates NBD, Commercial Bank of Dubai and Mashreq Bank) over concerns for their poor asset quality. Many of these banking assets are property-related, so if the new mortgage cap negatively impacts property prices, it may actually do further damage to those assets. Conversely, local banks' exposure to retail mortgages is relatively insignificant, at less than 5% of lending, so the move will do little to strengthen their balance sheets.

Otherwise, the country's other key non-oil sectors of tourism, transport and trade are gathering momentum. And with government spending set to show strong growth in 2013, we have revised up our growth projections, now expecting real GDP growth to reach 3.9% this year, before accelerating in 2014 to 4.6%. Consumer price inflation will remain relatively benign, at 2.8% in 2013, particularly if the mortgage cap remains in place.

## Glossary & Definitions

### DEFINITIONS

#### Minimum Terms:

The minimum form of documentation or trading method that D&B advises its customers to consider when pursuing export trade with the stated country.

#### Recommended Terms:

D&B's recommended means of payment. The use of recommended terms, which are generally more stringent than minimum terms, is appropriate when a customer's payment performance cannot be easily assessed or when an exporter may wish to limit the risk associated with a transaction made on minimum terms.

#### Usual Terms:

Normal period of credit associated with transactions with companies in the stated country.

#### Local Delays:

The time taken beyond agreed terms for a customer to deposit money in their local bank as payment for imports.

#### F/X Bank Delays:

The average time between the placement of payment by the importer in the local banking system and the receipt of funds by the exporter. Such delays may be dependent on FX controls, FX availability and the efficiency of the local banking system.

C/A (current account) balance, % GDP:

Part of the balance of payments that records a nation's exports and imports of goods and services, and income and transfer payments.

DSR (debt service ratio), %:

Annual interest and principal payments on a country's external debts as a percentage of exports of goods and services.

Govt balance, % GDP:

The balance of government expenditure and receipts.

Real GDP growth, %:

GDP adjusted for inflation.

Inflation, %:

The increase in prices over a given period.

## GLOSSARY

CiA	Cash in Advance
CLC	Confirmed Letter of Credit
CWP	Claims Waiting Period
FX	Foreign Exchange
LC	Letter of Credit
LT	Long term
MT	Medium term
OA	Open Account
SD	Sight Draft
ST	Short term

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