INTERNATIONAL MONETARY FUND

IMF Country Report No. 23/223

UNITED ARAB EMIRATES

2022 ARTICLE IV CONSULTATION—PRESS RELEASE; AND STAFF REPORT

June 2023

Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. In the context of the 2022 Article IV consultation with United Arab Emirates, the following documents have been released and are included in this package:

- A **Press Release** summarizing the views of the Executive Board as expressed during its January 25, 2023 consideration of the staff report that concluded the Article IV consultation with United Arab Emirates.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on January 25, 2023, following discussions that ended on November 17, 2022, with the officials of United Arab Emirates on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on January 10, 2023.
- An **Informational Annex** prepared by the IMF staff.

The documents listed below have been or will be separately released.

- **Selected Issues**

The IMF's transparency policy allows for the deletion of market-sensitive information and premature disclosure of the authorities' policy intentions in published staff reports and other documents.

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PRESS RELEASE

PR23/234

IMF Executive Board Concludes 2022 Article IV Consultation with United Arab Emirates

FOR IMMEDIATE RELEASE

Washington, DC – June 26, 2023: The Executive Board of the International Monetary Fund (IMF) concluded the 2022 Article IV consultation[1] with the United Arab Emirates.

UAE economic growth strengthened in 2022, benefitting from a rapid and effective COVID response, supportive fiscal measures, and the benefits of earlier social and business-friendly reforms. Overall growth is expected to reach 6.9 percent in 2022, with non-hydrocarbon GDP growth of 5.3 percent and hydrocarbon GDP is expected to grow by 11.1 percent in 2022, following the OPEC+ agreement.

Inflation has risen with global trends but is expected to ease to 3.4 percent in 2023. Fiscal and external surpluses are expected to remain high on the back of elevated oil prices. Banks are adequately capitalized and liquid overall, but nonperforming loans remain elevated, albeit down from recent peaks, and real estate prices have risen sharply in some segments. Major efforts have been advanced under the National AML/CFT Strategy and Action Plan to further strengthen the regulatory regime to ensure its effectiveness, in line with the enhanced monitoring under the Financial Action Task Force recommendations.

The economic outlook remains positive, supported by strong domestic activity. Overall GDP is projected to grow at 3.6 percent in 2023, with non-hydrocarbon growth of 3.8 percent driven by continued tourism activity and increased capital expenditure. Nevertheless, the outlook is subject to significant global uncertainties, including weaker growth, tighter financial conditions, and geopolitical developments. The implementation of enhanced UAE reform efforts poses upside risks to medium-term growth.

Strong reform efforts continue under the UAE 2050 strategies. Advancement on Comprehensive Economic Partnership Agreements (CEPAs) will boost trade and integration in global value chains and further attract Foreign Direct Investment (FDI). In addition, the benefits of artificial intelligence and digitalization and investments in enabling infrastructure will further support economic diversification, foster a smooth energy transition, and help address vulnerabilities from global decarbonization efforts. Long-term vulnerabilities from global decarbonization efforts are being addressed through commitments to climate initiatives and a balanced approach to energy transition.

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[1] Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. A staff team visits the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the Executive Board.

Executive Board Assessment[2]

Executive Directors commended the authorities' effective COVID response, timely policy actions, and structural reform implementation, leading to strong growth, further supported by high oil prices. However, in the context of significant global uncertainties and risks, Directors encouraged the authorities to further solidify the fiscal position and further strengthen the financial sector, diversify the economy, and continue implementing reforms necessary to achieve the UAE's ambitious green transition goals.

Directors encouraged maintaining a prudent fiscal stance in the near term, while ensuring targeted support to those most in need and considering a well-communicated withdrawal of remaining crisis-related macro-financial support. They noted that additional fiscal reforms would broaden and diversify the revenue base and support a smooth adjustment to a lower carbon future. In this regard, Directors welcomed progress to enhance non-hydrocarbon revenue, including through the corporate income tax, and called for continued improvements to expenditure efficiency. They underscored the importance of embedding fiscal reforms in a credible medium-term fiscal framework, underpinned by stronger coordination of emirate-specific fiscal frameworks, including to support modest growth-friendly annual consolidation. Directors also stressed the importance of continuing efforts to improve fiscal transparency and strengthen governance and accountability by publishing general government, emirate- and federal-level fiscal data.

Directors stressed that ensuring financial system health is critical to guard against risks and foster medium-term growth. Although overall bank balance sheets remain healthy, continued close monitoring of financial stability risks and further strengthening of macroprudential frameworks is warranted, including given the high level of nonperforming loans, tightening financial conditions, and banks' exposures to the real estate sector. Directors welcomed the major efforts under the National AML/CFT Strategy and Action Plan and encouraged continued actions to further strengthen the regulatory regime in line with the enhanced monitoring under the Financial Action Task Force. To further assess the resilience of the financial sector, they encouraged the authorities to request a Financial Sector Assessment Program update.

Directors welcomed the UAE's ambitious structural reform agenda, including significant investment in digital and green initiatives to further advance diversification and support a smooth energy transition to a lower carbon future. These efforts could be further enhanced with additional measures to improve the business environment and modernize the labor market, including by continuing to encourage greater female participation. Directors welcomed the ongoing development of trade and economic partnerships, which are expected to boost the UAE's productivity and competitiveness over time. They encouraged continued improvements in the collection and timely dissemination of economic data to buttress the authorities' reform efforts.

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[2] At the conclusion of the discussion, the Managing Director, as Chairman of the Board, summarizes the views of Executive Directors, and this summary is transmitted to the country's authorities. An explanation of any qualifiers used in the summing up can be found here: http://www.IMF.org/external/np/sec/misc/qualifiers.htm.

United Arab Emirates: Selected Economic Indicators, 2020-23

Quota: SDR 2,311.2 million (November 2022)

Population: 9.56 million (2021)
Per capita GDP: $43,422 (2021)

	2020	2021	Proj. 2022	Proj. 2023
Output and prices	(Annual percent change)			
Real GDP	-5.0	3.9	6.9	3.6
Real nonhydrocarbon GDP	-5.4	5.8	5.3	3.8
CPI inflation (average)	-2.1	0.2	4.9	3.4
Public finances	(Percent of GDP)			
Revenue	28.7	30.4	35.5	33.0
Expenditures	31.1	26.4	26.3	27.8
Net lending(+)/borrowing (-) (Revenue minus expenditures)	-2.5	4.0	9.2	5.3
Nonhydrocarbon primary balance 1/	-22.9	-20.5	-21.1	-22.6
Gross general government debt	41.1	35.9	30.2	29.8
Monetary sector	(Annual percent change)			
Broad money	4.6	5.8	9.2	6.8
Credit to private sector	-2.6	1.5	7.3	5.2
External sector	(In percent of GDP, unless otherwise indicated)			
Current account balance	6.0	11.6	11.7	7.6
External debt	110.0	97.3	85.3	86.8
Gross official reserves (billions of U.S. dollars) 2/	106.5	127.8	127.8	130.9
In months of next year's imports of goods & services, net of re-exports	7.3	7.2	7.2	7.2

Sources: Country authorities; and IMF staff estimates and projections.

1/ In percent of nonhydrocarbon GDP. Excludes staff estimates of SWF investment income; partial coverage of Abu Dhabi government and Abu Dhabi pension fund accounts.

2/ Excludes staff estimates of foreign assets of sovereign wealth funds; includes the 2021 SDR allocation of SDR 2.2 billion.

INTERNATIONAL MONETARY FUND

UNITED ARAB EMIRATES

STAFF REPORT FOR THE 2022 ARTICLE IV CONSULTATION

January 10, 2023

KEY ISSUES

Context. Economic growth is strong, driven by non-hydrocarbon activity, timely support measures, and the benefits of earlier reforms. Inflation has risen with global trends, while high oil prices support large surpluses in the fiscal and external balances. Banks are adequately capitalized overall, but nonperforming loans remain elevated, albeit down from recent peaks, and real estate prices have risen sharply in some segments. Long-term vulnerabilities from global decarbonization efforts are being addressed through commitments to climate initiatives and a balanced approach to energy transition.

Outlook and risks. GDP growth is expected to increase substantially in 2022 and remain healthy in 2023, supported by robust domestic activity. The outlook is subject to significant global uncertainties, including weaker growth, tighter financial conditions, and geopolitical developments. The implementation of enhanced UAE reform efforts poses upside risks to medium-term growth.

Main policy recommendations. Policies should continue to focus on ensuring sustainable growth while managing a smooth transition to a lower carbon future.

- **Near-term policies:** Promote sustainable growth and avoid inflationary outcomes by maintaining well-targeted support to those most in need, ensuring a prudent overall fiscal stance, and closely monitoring financial stability risks. Enhance targeted support and frontload green and productivity enhancing investment amid large adverse shocks.

- **Financial sector:** Continue to strengthen the macro-prudential and regulatory frameworks, ensure effective supervision of digital innovation and fintech activities, and implement measures to strengthen the AML/CFT framework.

- **Fiscal policy:** Reinforce long-term fiscal sustainability and meet climate transition challenges by further advancing reforms to strengthen public finances, implementing gradual and modest annual fiscal consolidation, developing and greening a uniform medium-term fiscal framework, and fostering sustainable finance.

- **Structural policy:** Leverage trade partnerships and investment in digital and green initiatives to further advance diversification, support a smooth energy transition, and adjust to a lower carbon future.

Approved By
Thanos Arvanitis (MCD) and Andrea Schaechter (SPR)

Discussions took place during November 2-17, 2022 in Abu Dhabi and Dubai. The mission team comprised A. Al-Eyd (Head), Y. Korniyenko, D. Nampewo, C. Sandoz (all MCD), and M. Miccoli (MCM). Mr. A. Alhosani attended the concluding meeting and Ms. P. Al-Riffai participated in the mission discussions (both OED). The mission met with the Central Bank Governor, the Undersecretary of the Ministry of Finance; other senior officials; and representatives of the business and academic communities. Messrs. M. De Asis and T. Yuan provided invaluable support to the mission.

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ANNEXES

RECENT MACROECONOMIC DEVELOPMENTS

1. **Near-term growth is strong, benefitting from a rapid and effective COVID response, supportive fiscal measures, and the benefits of earlier social and business-friendly reforms.**[1] Non-hydrocarbon GDP growth is expected to reach 5.3 percent in 2022, driven by a strong rebound in tourism and activity related to the Dubai World Expo, expected positive spillovers from the Football World Cup in Qatar, and ongoing government expenditure. Hydrocarbon GDP is expected to grow by 11.1 percent in 2022, following the OPEC+ agreement. Overall growth is expected to reach 6.9 percent in 2022.[2]

2. **Inflation is rising with global trends, and is expected to average 4.9 percent in 2022, its fastest pace since 2008**. In addition to imported inflation from abroad (Annex VI), stronger economic activity, higher fuel costs, elevated food prices, and rising housing costs are driving price growth (Text Figure 1). Real estate prices have risen rapidly, particularly in Dubai (21 percent y/y in October). The authorities recently doubled social welfare spending and subsidies for low-income households to 1.5 percent of GDP, including inflation assistance for food and energy costs. At the same time, the CBUAE hiked policy rates by 425 bps in 2022, following US Fed policy actions in line with the exchange rate peg.

3. **The current account surplus is expected to reach 11.7 percent of GDP in 2022 in response to high oil prices.** The financial account deficit is also expected to widen in 2022 with a strong increase in capital outflows, reflecting the overseas investment of oil revenues. Foreign reserves are healthy at 7.2 months of imports.[3] External buffers (including Sovereign Wealth Funds (SWFs) foreign assets) remain adequate for external stability. As of end-November 2022, the real effective exchange rate appreciated by 2.5 percent with lower UAE inflation compared to its main trading partners. In 2022, the external position is expected to be broadly in line with the level implied by medium-term fundamentals and desirable policies (Annex IV).

4. **The fiscal position improved notably, while government debt decreased.** The general government fiscal balance turned to a surplus of 4 percent of GDP in 2021 and is expected to reach a surplus of around 9 percent of GDP in 2022, largely driven by higher oil revenue. Expenditures have also increased, including due to the ongoing reform of the social safety net system, but the government remains committed to maintaining a prudent fiscal stance. Public debt remains sustainable and is expected to decline further to 30.2 percent of GDP in 2022 from 35.9 percent of GDP in 2021 (Annex III). Since it began to borrow in 2021, the UAE federal government has successfully issued USD 7 billion in international and AED 9 billion in domestic bonds.

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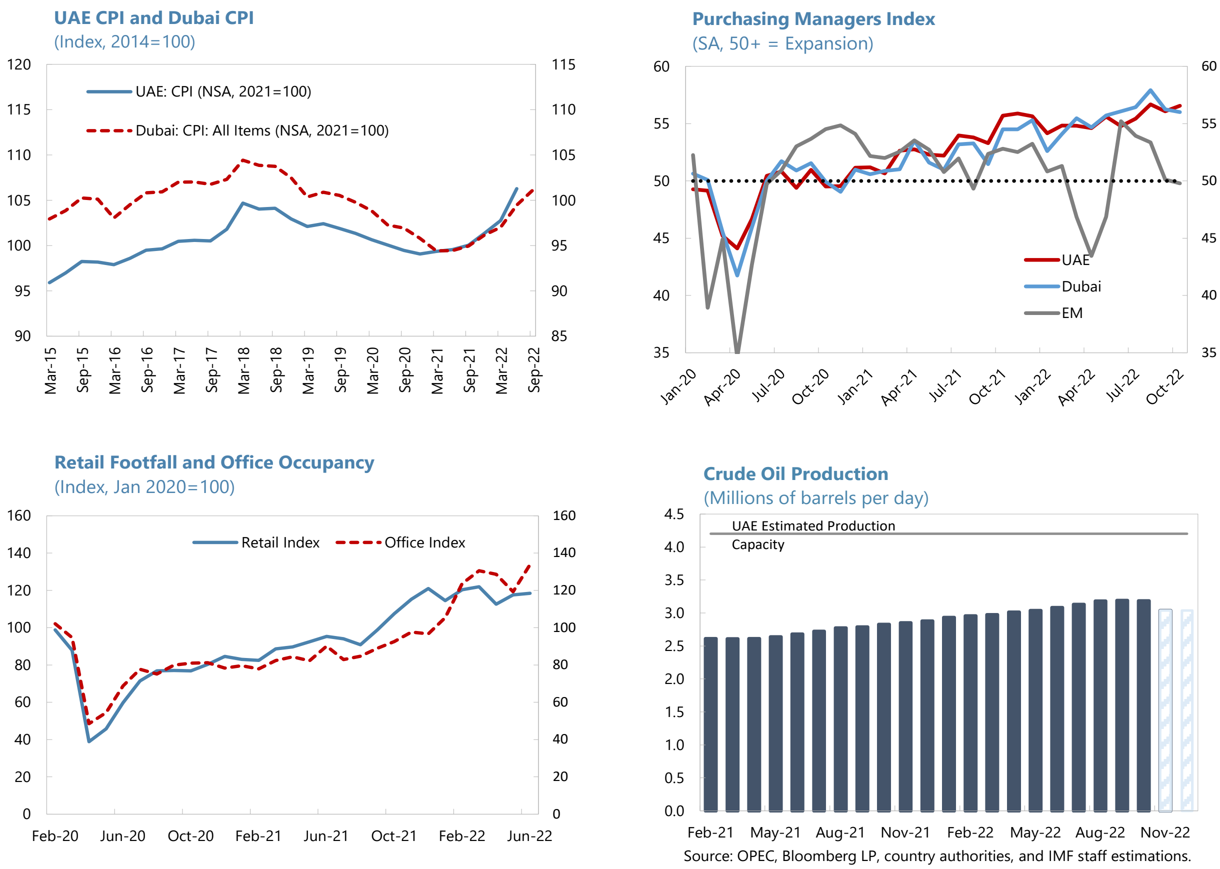
[1] In 2021, the UAE undertook the largest legal reforms in its history, aiming to strengthen economic, investment and commercial opportunities while strengthening social stability, security and ensuring the rights of both individuals and institutions. For details see 2021 UAE Article IV and 2021 Selected Issue Paper (SIP) "Fostering UAE Productivity Growth After COVID".

[2] The analysis of this Staff Report is based on data available as of November 30, 2022.

[3] The authorities have kept the SDR allocation of SDR 2.2 billion (0.7 percent of 2021 GDP) in foreign reserves.

Text Figure 1. United Arab Emirates: Economic Developments



Sources: OPEC, Haver Analytics, country authorities, Bloomberg LP and IMF calculations.

5. **Elevated oil prices and healthy macroeconomic balances have helped the UAE avoid pressures from tighter global financial conditions.** Although UAE sovereign yields have risen, spreads remain contained at around 180 bps as of December 2022, well below the emerging markets average of 450 bps. The UAE conducted major Initial Public Offerings (IPOs) and benefitted from safe-haven inflows amid increased global uncertainty.

6. **Banks remain adequately capitalized overall and liquid, but some vulnerabilities persist, including through exposures to real estate.** Banks' profitability improved with higher interest income and steady, but moderate, private credit growth.[4] Deposits increased, notably for corporates- residents and non-residents and the government. Net foreign assets substantially increased, growing by 170 percent y/y as of September, including due to substantial oil-related revenues. NPLs decreased from their pandemic peak, but they remain elevated compared to historical levels (6.9 percent in Q2 2022, 60 percent of which are covered by specific provisions).

[4] While exact figures are not available, discussion with the authorities highlighted that a large part of both retail and corporate loans in the UAE are floating rate.

Increase in real estate demand has spurred record transactions and price growth, especially rapid in some segments, but prices appeared to level off in Q4 2022. Banks' comprehensive exposure to the real estate sector—which includes off-balance sheet items and investments in real estate securities—amounts to about 23 percent of their credit risk-weighted assets; the construction and real estate sectors constitute 19 percent of total bank loans (Figure 3b).

OUTLOOK AND RISKS

7. The UAE economic outlook remains positive, supported by strong domestic activity. The extraordinary boost to growth in 2022 from one-off factors will wane in 2023, but the pace of overall growth is expected to be healthy despite risks from global headwinds. Overall GDP is projected to grow at 3.6 percent in 2023, with non-hydrocarbon growth of 3.8 percent driven by continued tourism activity and increased capital expenditure. The manufacturing sector is expected to grow significantly over the medium term with the expansion of hydrocarbon and non-hydrocarbon related industries. Hydrocarbon GDP growth is projected to be 3.0 percent in 2023 based on the October 2022 OPEC+ agreement. Inflation is expected to ease to 3.4 percent in 2023.

8. Fiscal and external surpluses are expected to remain high on the back of elevated oil prices. The general government fiscal balance is projected to average 3.8 percent of GDP over the medium term. The adjusted non-hydrocarbon primary deficit is expected to improve by 2.2 p.p. to 20.4 percent of non-hydrocarbon GDP over 2023-2027 with revenue mobilization efforts, including the phased introduction of a Corporate Income Tax (CIT) from 2023.[5] The current account surplus is projected to narrow in 2023 with somewhat lower oil prices but remain positive to average 6.9 percent of GDP over the medium term. New energy cooperation agreements will boost fuel and gas exports, while nonhydrocarbon exports (excluding re-exports) are expected to increase over the medium term supported by Comprehensive Economic Partnership Agreements (CEPAs) and other structural reforms (see 2022 SIP Chapter 1).

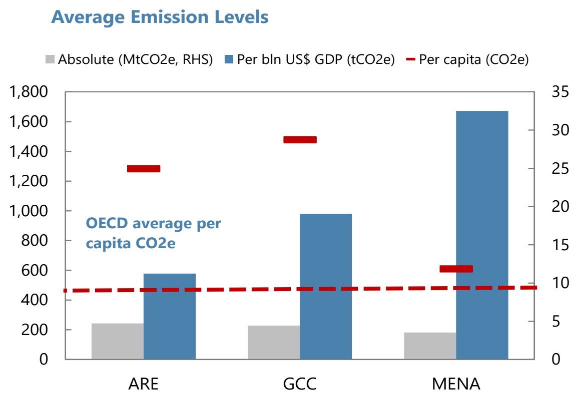
9. Achieving higher medium-term growth hinges on sustained reform efforts, including to support a smooth energy transition. Consistent with the government's strategies, reforms such as continued advancement on CEPAs will boost trade and integration in global value chains and further attract Foreign Direct Investment (FDI), while harnessing the benefits of AI and digitalization through investments in enabling infrastructure would support diversification and a smooth energy

[5] Starting on June 1, 2023, the UAE government will gradually introduce a federal CIT (effective for financial years starting on or after June 1, 2023). The announced UAE CIT regime introduces a tier system with 3 rates: (i) all annual taxable profits that fall under AED 375,000 shall be subject to a zero rate; (ii) all annual taxable profits above AED 375,000 shall be subject to a 9 percent rate; and (iii) all multinational enterprises (MNEs) that fall under the scope of Pillar 2 of the OECD Base Erosion and Profit-Sharing (BEPS 2.0) framework (i.e., consolidated global revenues in excess of AED 3.15 billion) shall be subject to different rates as per OECD Base Erosion and Profit-Sharing rules. The future corporate tax regime will continue to honor the current corporate tax incentives being offered to free zone businesses. The taxation of the extraction of natural resources will remain subject to emirate level corporate taxation.

transition. At the same time, climate mitigation, adaptation, and transition are critical for the UAE (Text Figure 2 and Box 1).

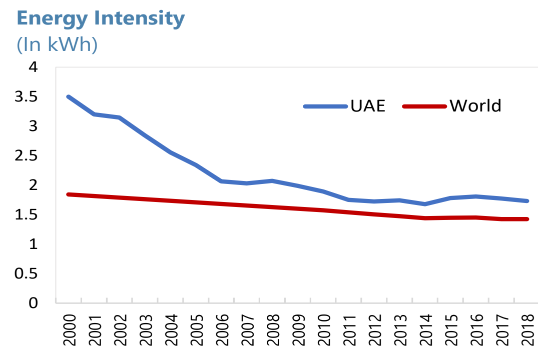
Text Figure 2. United Arab Emirates: Climate Challenges

The UAE CO2 emissions per capita are high relative to the OECD average…



Source: CAIT.

While energy intensity remains above the World average.



Source: World Bank, BP, and Madison Project Database.
Note: Energy intensity is measured as primary consumption per unit of gross domestic product. This is measured in kilowatt-hours per 2011 $ (PPP).

10. The outlook is subject to significant global uncertainties (Annex V). These reflect uncertainties over global COVID waves, geopolitical developments, and spillovers from weaker global growth and tighter financial conditions (Box 2). High oil prices and strong domestic growth mitigate short-term risks, while enhanced reform efforts pose upside risks to medium-term growth (2022 SIP). Direct economic effects, including via trade and direct banking sector exposures, from Russia's war in Ukraine have been contained (Annex II). A global recession would reduce oil demand, tourism flows, and trade, pressuring oil prices and production, UAE's fiscal and external balances, and vulnerable corporates and government related enterprises (GREs).

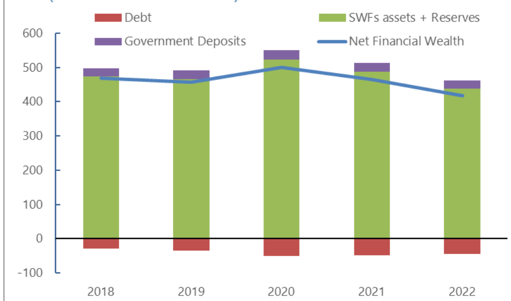
11. Uncertainties over the impacts of global climate policies pose additional long-term risks. Although the UAE has the benefit of ample financial buffers to foster a smooth energy transition, a faster- or more-turbulent-than-anticipated global move away from hydrocarbons would drive oil price volatility and impact global oil demand (Box 1). This would strain buffers and pressure public finances, with adverse implications for the UAE's energy transition. Overcoming these challenges will require smart management of fossil fuel wealth, adjustment of macro-fiscal framework to strengthen resilience during the transition and continued efforts to support economic diversification.

Box 1. United Arab Emirates: Addressing Long-Term Climate Transition Challenges

Ensuring the UAE's resilience to long-term vulnerabilities from global decarbonization efforts and declining fossil fuel demand requires sustained commitments to ongoing climate initiatives and a balanced approach to energy transition, including by scaling-up investments in renewable and clean energy while continuing efforts to "greening" extraction processes.

The UAE faces the twin challenges of reducing its reliance on hydrocarbon activity and adapting its economy and policy frameworks to climate risks. Although the UAE has made significant progress to address climate challenges under the guidance of the UAE Green Strategy—alongside other major initiatives, including hosting of COP28, Nationally Determined Contributions, and the US-UAE Partnership for Accelerating Clean Energy—and maintains sizeable financial buffers (Text Chart), it remains vulnerable to long-term global decarbonization efforts and declining fossil fuel demand (Figure 6). Ensuring long-term resilience to the impacts of climate change mitigation policies abroad will be a key challenge, underscoring the importance of continued preparations for a low-carbon global economy.

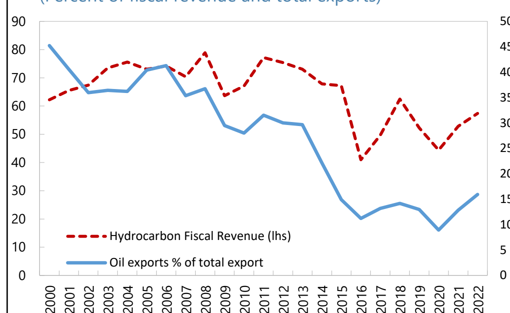
Net Sovereign Financial Wealth
(% non-resource GDP)



Source: Bloomberg, Country Authorities, and IMF staff estimates.

As a major oil exporter, the UAE has a heavy reliance on hydrocarbon activity as a source of income and economic growth. Direct hydrocarbon revenues amount to over 60 percent of total fiscal revenues, while oil exports are over 15.9 percent of total exports of goods and services (Text Figure). Although difficult to measure, indirect economic effects from hydrocarbon activities contribute to overall growth, including by supporting liquidity in the financial system and through spillovers from related capital investment and broader confidence effects.

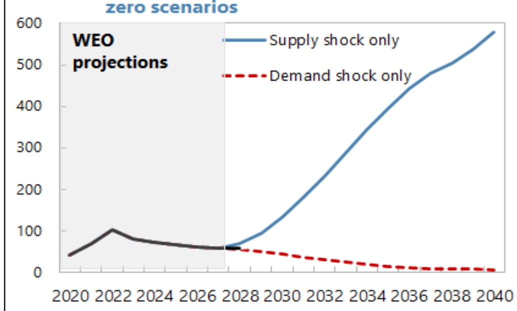
Hydrocarbon Revenue and Oil Exports
(Percent of fiscal revenue and total exports)



Sources: Country Authorities; IMF staff estimates

There is considerable uncertainty about the pace of global decarbonization and the associated impacts of oil demand and supply factors affecting future oil prices. As examined in the [April 2022 World Economic Outlook](), the relative dominance of demand and supply factors could drive long-term oil prices to either very low or very high levels, respectively (Text Figure). Extreme movement in long-term oil prices in either direction would create significant challenges for any oil producer. These could materialize through global demand shocks, which would drive down prices, profitability and thus production, or global supply shocks, which would drive up prices and profitability, but could ultimately reduce production as extreme prices reduce global demand. The reality is, of course, likely to be a mix of these two factors. But the dynamics along the pathway of global energy transition are highly uncertain and depend on country-specific policies.

Nominal oil price projections under Net-zero scenarios



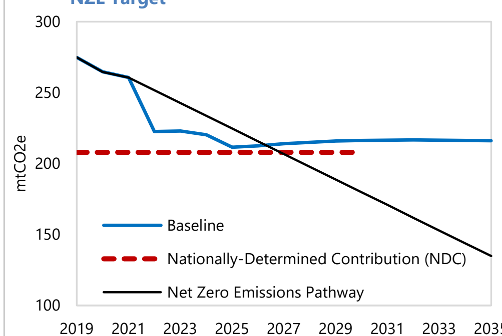
Sources: IMF staff projections.

Box 1. United Arab Emirates: Addressing Long-Term Climate Transition Challenges (continued)

The UAE is pursuing an ambitious strategy to foster a smooth adjustment to a lower global carbon future. Regarding domestic climate adaptation and mitigation efforts, the UAE is investing heavily in renewables, implementing green building codes, and building efficient and climate resilient infrastructure, among others, as detailed in its NDCs, "2022: UAE and the 2030 Agenda for Sustainable Development: Excellence in Implementation - Voluntary National Review", and discussed below and in the 2021 UAE Article IV. Recent efforts to expand non-hydrocarbon revenue and promote sustainable finance will also help reduce fiscal reliance on hydrocarbons over time, while the build-up of green investments under the reform program will mitigate longer-term vulnerabilities to climate change and deliver substantial economic gains (2022 SIP Chapter 3). Moreover, in line with its hosting of COP28, the UAE has committed to achieve net zero emissions by 2050, though staff analysis indicates that current NDCs targets must be accelerated to reach these objectives (Text Figure).

The UAE also aims to support global energy security by increasing investment in oil and gas production, while reducing its carbon intensity. The Abu Dhabi National Oil Company (ADNOC) recently announced plans to increase oil production by 1 mbpd to 5 mbpd by 2027, some three years ahead of its previously announced target. In addition, under the direction of the recently created ADNOC Gas, the UAE aims to double its LNG export capacity through investment in new facilities. However, the UAE has committed that the extraction of fossil fuels will increasingly be "made greener" by relying on renewables in the production process and the use of carbon-capture technology, underscoring the importance to achieve a balanced approach to energy transition. Ensuring a balanced approach to energy security and transition requires: (i) achieving CO2 emissions reduction targets set in the Second Nationally Determined Contributions (NDCs); (ii) developing green and sustainable finance; (iii) fully integrating costs and benefits of climate policies to policy frameworks; and (iv) enhancing disaster risk management strategies to deal with immediate physical risks.[1]

Baseline GHG Emissions vs a Paris Pledge and NZE Target



Sources: IMF CPAT tool and staff estimates.

Despite the UAE's commendable efforts to enhance its long-term resilience to climate transition risks, it is instructive to consider the potential implications from an illustrative downside scenario. In particular, what challenges would the UAE face if global decarbonization efforts were accelerated to meet Net Zero Emissions targets sooner rather than later? In such a scenario, declining oil demand would drive future oil prices and production to very low levels, with notable long-term direct and indirect macro-economic and financial implications for the UAE. This underscores the importance of ensuring forward-looking policies to meet the risks and challenges that could arise from global decarbonization efforts.

In a world where the pace of global decarbonization is accelerated:

- *Fiscal revenue and financial buffers would be increasingly strained, limiting policy space to spur growth and diversification, eroding resilience to shocks, and fostering adverse debt dynamics.* The move toward credible, UAE-wide medium-term fiscal frameworks—anchored by appropriately designed and coordinated fiscal anchors and policy rules across the emirate and federal levels—would need to be enhanced through (i) additional efforts to boost non-hydrocarbon revenue, increase public spending efficiency, and wind down subsidies; (ii) the gradual adoption of green principles in public financial

1/ As discussed in UAE's NDCs and 2021 UAE Article IV.

Box 1. United Arab Emirates: Addressing Long-Term Climate Transition Challenges (concluded)

- management ("green PFM") and public investment management (climate-PIMA) aligned with UAE NDCs targets and National Net Zero by 2050 Pathway; and (iii) fostering alternative financing strategies, including relying more on green and sustainable private finance.
- *External balances would weaken through lower oil prices and production and declining global trade in fossil fuels, while financial flows could be also affected.* In addition to lower oil exports, cross-border spillovers from permanently reduced foreign oil demand would depress upstream investment. While the related investment reduction could soften the impact of lower oil exports on the current account as they are highly import intensive (ESR 2022, Chapter 2), aggregate productivity and long-term growth would need to be supported through structural reforms and investment in other sectors. Intensified reform efforts to diversify the economy, including by front-loading investments in green technologies, developing renewable energy sources, greening the extraction of fossil fuels, and fostering non-hydrocarbon trade and FDI will be critical. Opportunities in sectors such as aviation, environment, hospitality, logistics, building and construction, financial services, and digital trade have already been identified through the signature of CEPAs (see 2022 SIP, Chapter 1). Although the exchange rate peg currently remains appropriate and provides a credible monetary anchor, over the longer-term, the non-hydrocarbon sector could be supported by a more flexible exchange rate.
- *The financial system would face challenges from deteriorating asset quality linked to carbon-intensive activities and weaker overall growth, potentially resulting in stranded assets and further erosion of financial wealth.* Efforts would need to be intensified to ensure prudential policies are adapted to recognize systemic climate risk, including through requirements for financial institutions to incorporate climate risk scenarios into their stress tests. Moreover, regulations and supervisory frameworks should provide further clarity on, and an enabling environment for, green investment. In this respect, staff welcome the concerted efforts by the regulatory authorities on working towards providing a clear regulatory framework and guidance for developing local sustainable finance, including through the work of the Sustainable Finance Working Group, and the ongoing efforts to include climate risks in stress testing.

Authorities' Views

12. The authorities broadly shared staff's assessment of the macroeconomic outlook but expect stronger GDP growth in the near-term. They too see a strong rebound in tourism and activity related to global events in the region but expect a much stronger boost to non-hydrocarbon growth in 2022 and in the medium term, particularly from the manufacturing, logistics, and hospitality sectors. They also see risks from weaker global growth, persistent global inflation, and financial market turbulence. Despite the October 2022 OPEC+ production cuts, they also expect stronger hydrocarbon GDP growth in the near-term and note accelerated plans to reach oil production capacity of 5 mbpd by 2027 instead of by 2030. The authorities agreed with staff that inflation is projected to moderate gradually, including from the impact of tightening financial conditions. The authorities acknowledged the importance of building resilience to long-term climate related challenges and underscored the need for a continued balanced approach to energy transition.

POLICY DISCUSSIONS

13. Policy discussions focused on ensuring sustainable growth while managing a smooth transition to a lower carbon future. Priorities include: (i) maintaining fiscal discipline and withdrawing remaining crisis-related measures; (ii) safeguarding financial stability post-COVID and amid climate risks; (iii) strengthening fiscal policy frameworks while considering macro-fiscal and macro-financial implications of energy transition; and (iv) leveraging gains from structural reforms for diversified, green, and inclusive growth.

A. Near-Term Policies to Ensure Sustainable Growth

14. Near-term policies should continue to focus on ensuring sustainable growth and maintaining financial stability, while guarding against inflationary outcomes.

- *The overall fiscal stance should remain prudent.* Higher hydrocarbon revenues should continue to be prudently managed to avoid procyclical outcomes that could fuel inflationary pressures, including by enhancing fiscal buffers to further strengthen medium-term sustainability. The planned introduction of a CIT is an important reform that will provide space to increase the transparency of fiscal policy and allow for the withdrawal of opaque fees. Ongoing reforms of the social safety net system are also welcome. Temporary inflation support measures should continue being well-targeted to those most in need but should be revisited as price pressures subside.

- *Continued close monitoring of financial stability is warranted.* Against tightening financial conditions (Box 2), continued forward-looking assessment of assets quality and close monitoring of bank's financial stability is needed, especially among smaller banks. Supervisors should continue to encourage prompt recognition of asset quality deterioration and adequate provisions.

- *Remaining crisis support measures should be scaled back.* As economic growth is robust, remaining measures under the Targeted Economic Support Scheme (TESS), the Reserve Requirement and LTV ratios should be gradually unwound, while avoiding pro-cyclical outcomes.[6] In addition, the setting of the new Reserve Requirement ratio should take into consideration its effect on market liquidity and the interbank market, including to support the full implementation of the new Dirham Monetary framework.

15. Policies should remain flexible to respond to adverse shocks. In the case of a significant growth slowdown, fiscal space should be deployed to support non-hydrocarbon growth, including by frontloading and scaling-up green investment and improving the efficiency of energy intensive sectors. Gearing additional public investment to lift productivity and ease supply-side bottlenecks

[6] Under the TESS, the LTV ratio for first time home buyers was increased by 5 percentage points, while the Reserve Requirement on sight deposits was decreased from 14 to 7 percent.

(i.e., capacity building and infrastructure) would help reduce inflationary outcomes. The CBUAE should stand ready to use the full flexibility of its monetary framework, as well as that of its macro-prudential framework, while continuing the monitoring of financial stability risks.

Box 2. United Arab Emirates: Risks from Tightening Financial Conditions

Financial conditions both globally and in the UAE have tightened recently. Global inflationary pressures and tighter monetary policies, notably in major advanced economies, are contributing to tighter global financial conditions (October 2022 WEO). These conditions are transmitting to the UAE economy through direct and indirect channels.

Direct channels mainly operate through UAE interest rate hikes, which follow US Federal Reserve actions in line with the exchange rate peg. The UAE 3-month EIBOR, the benchmark for floating rate loans, increased by about 4 percentage points to 4.5 percent during the period March to November 2022 (Figure 3a). However, as US Fed rates continue to increase, rising interest rates in the UAE are projected to turn positive in real terms and may impact:

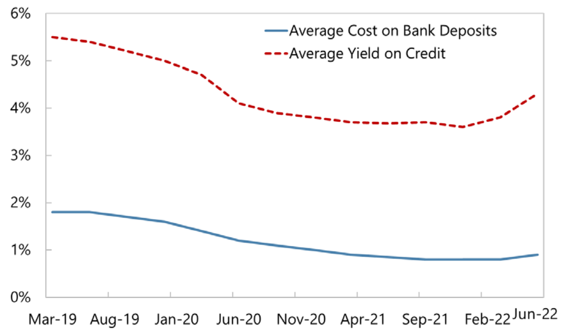
- *Household and corporates' debt servicing capacity and credit demand.* While overall credit growth has remained moderate, private sector borrowing, spurred also by an increase in mortgages and house valuations, has increased. Since most borrowing is variable rate, as rates increase, debt service burdens will rise (Box Figure). In these conditions, spending and credit demand could decrease, and asset quality deteriorate.
- *Cost of servicing debt for GREs.* UAE GREs have about $33 billion in bonds and loans maturing in 2023 and 2024 ($84 billion in following years). In addition, GREs' borrowing from banks has been robust, increasing around 16 percent y/y in October 2022. While some GREs will benefit from higher growth and oil inflows, debt servicing costs will rise with higher interest rates, increasing balance sheet strains.
- *Capital flows.* Financial inflows, including those driven by global uncertainties, have mostly affected the real estate sector so far. However, as global financial conditions tighten further, interest sensitive capital could reverse.
- *Banks' balance sheets.* As interest rates rise, the net present value of future cash flows decreases, lowering the value of assets and compressing banks' balance sheet space. However, increased interest rate margins could offset these negative balance sheet effects.

The tightening of financial conditions could also impact the UAE economy indirectly through slowing global growth and adverse financial market conditions. The UAE is a major trade hub, exposing it to a global slowdown and lower associated oil prices. In addition, although credit provision by banks to non-residents is modest, it has increased, broadening banks' exposure to asset quality risks in an environment of low global growth. Finally, tightening global financial conditions could result in disorderly market conditions, triggering capital flows reversals and higher borrowing costs (October 2022 GFSR).

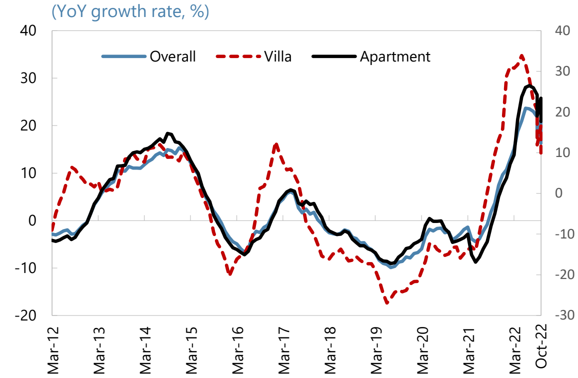
While financial vulnerabilities will inevitably increase, risks are relatively contained given the robust balance sheets of most households, banks, and corporates. For example, the rise in real estate prices has mostly been in high-end segments (Box Figure and Figure 1), and in Dubai only about 40 percent of residential real estate sales have been financed through mortgages. GREs have been extending the maturity of their debt (UAE 2021 Article IV Staff Report). Increased profitability has restored banks' capital generation capacity. Around 60 percent of NPLs are covered by specific provisions, and some NPLs sales by banks are being recorded. In addition, stress testing should provide guidance to the authorities to pre-empt and mitigate risks in the financial sector from high interest rates.

Box 2. United Arab Emirates: Risks from Tightening Financial Conditions (concluded)

All Banking Cost of Deposit & Yield on Credit
(In percent)



Dubai: Residential Sales Price Index
(YoY growth rate, %)



Sources: CBUAE, Dubai Land Department, IMF staff estimates

Authorities' Views

16. The authorities agreed with the thrust of the near-term recommendations. They emphasized the importance of maintaining a prudent fiscal stance and well-targeted support to those most in need. The authorities agreed that continued close monitoring of financial stability is warranted and noted the ongoing strengthening of macroprudential and regulatory frameworks. They stressed that the removal of the last remaining crisis-level support measures—the temporary reduction of the cash reserve requirement—will be implemented gradually as uncertainties over financial conditions abate. The authorities agreed that additional investment in green and productivity enhancing initiatives would be warranted if an adverse shock materialized.

B. Safeguarding Medium-Term Financial Stability

17. Overall, banks are well placed to absorb shocks, but ensuring financial stability requires continued efforts to strengthen the macro-prudential and regulatory frameworks. Banks have overall adequate capital and liquidity; however, regular stress testing and forward-looking bank balance sheet assessments are welcome. Moreover, the observation period of the Standards for Bank Real Estate Exposure – to last at least until end-2022 – has increased awareness about banks' comprehensive exposure to the sector. However, while some banks are already taking actions to decrease their exposures, the CBUAE should continue close monitoring and assessment, including through a reevaluation of the 30 percent guiding threshold. As the exposure is measured comprehensively, including for off-balance sheet items, consideration to capital add-ons for large sectoral concentrations, if deemed appropriate, could be given. To further strengthen bank balance sheets, supervisors should promote banks' effective management of legacy NPLs, including through the sale of these assets. Continuing work on the Resolution and Recovery Framework towards its implementation remains crucial. The authorities' plans to enhance the scope of systemic risk analysis into non-bank financial intermediation is welcome. Efforts to further strengthen regulation and supervision of the insurance sector should continue.

18. The full implementation of the Dirham Monetary Framework and continued issuance of local currency federal debt will support domestic capital market development. Plans to fully implement the Dirham Monetary Framework should continue in line with the recommendations of the IMF Technical Assistance on liquidity management. Staff welcome the additional information on the monetary framework shared through the new CBUAE website, and the plans to provide more detailed information on its standing facilities, liquidity, and rates. Transparent and clear communication of the monetary framework will further enhance its effectiveness. At the same time, the issuance of local debt by the UAE government should continue, including through longer maturities and Shariah compliant instruments, supported by cooperation with the CBUAE and its Monetary Bills program, to create an effective domestic yield curve and foster the development of local currency capital markets.

19. CBUAE activities to promote digital innovation in the banking and payments sector need to carefully balance opportunities and risks. Staff acknowledge the developments with wholesale and retail Central Bank Digital Currency (CBDC),[7] and the broader program to innovate financial infrastructure. Issuance of CBDC should be underpinned by clear policy objectives and design safeguards for monetary and financial stability.[8] While digital innovation in financial and payments services promises to unlock potential benefits, effective oversight of new fintech actors and close monitoring of potential side effects will be needed and should be underpinned by ongoing and continued efforts on regulatory clarity, including through collaboration with Supervisory Authorities of financial free zones. The authorities should continue devoting efforts to deepening understanding and monitoring risks from new financial actors.

20. Staff welcomes actions on strengthening the AML/CFT framework and urges efforts to continue. In February 2021, the Financial Action Task Force (FATF) identified the UAE as a jurisdiction with AML/CFT deficiencies, including in international cooperation, beneficial ownership transparency, and money laundering investigations and prosecutions. Major efforts have been advanced under the action plan agreed upon with the FATF as well as the action plan under the National AML/CFT Strategy to further strengthen the regulatory regime in line with the FATF recommendations. It would be important for the UAE to swiftly address remaining deficiencies identified by FATF to exit enhanced monitoring.

21. The CBUAE is taking steps to mitigate climate transition risks in the financial sector. The Sustainable Finance Working Group (SFWG, comprised of the CBUAE, federal and financial free zones regulators, relevant governmental bodies and ministries, as well as securities exchanges), is developing principles to provide a taxonomy of sustainable finance, foster sustainability-focused corporate governance, and strengthen sustainability disclosure. Once finalized, these actions should be published and will help the financial sector more clearly assess their exposure to climate related risks and enhance sustainability-focused transparency. Furthermore, the CBUAE is incorporating

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[7] The CBUAE is collaborating with other central banks and the Bank for International Settlements (BIS) under the mBridge bridge project to test wholesale CBDC use for cross-border payments, and it is planning to develop a pilot for retail CBDC.

[8] See also UAE Staff Report, 2021, Annex VII.

climate stress testing for banks, and plans to have similar stress testing for the insurance sector in 2024.

22. The exchange rate peg remains appropriate and provides a credible policy anchor. CBUAE reserves are at comfortable levels, including according to the IMF's ARA metric, while the external position in 2022 is expected to be broadly in line with medium-term fundamentals and desirable policies. While the peg remains an effective nominal anchor, over the longer term, a more flexible exchange rate would enable the CBUAE to follow an independent monetary policy, gaining an additional tool to cushion the impact of external shocks on the economy, which could prove helpful given the long-term global decarbonization efforts.

Authorities' Views

23. The authorities agreed with the recommendations to continue monitoring and strengthening financial stability. They emphasized the sound levels of capital and liquidity for the overall banking system but agreed that the tightening of financial conditions calls for continued close monitoring of asset quality and supervisory vigilance. They concurred that the increasingly complex and digital financial system needs continued efforts to further strengthen the macroprudential and regulatory framework. On NPLs, the authorities highlighted the substantial bank provisioning levels, and the ongoing efforts to promote the effective management of these assets. Finally, the authorities agreed on the importance of fully implementing the Dirham Monetary Framework and further developing the dirham yield curve, through the ongoing coordination between the CBUAE and the Ministry of Finance. The authorities noted that they continue to further strengthen the effectiveness of the AML/CFT regime in line with the National Strategy for AML/CFT and the National Action Plan of the UAE. They further noted that progress in adopting international standards for AML/CFT is robust as are ongoing efforts of inter-agency coordination, international cooperation, and collaboration with the private sector.

C. Reinforcing Long-Term Fiscal Sustainability

24. Progress on fiscal structural reforms should be enhanced to reinforce long-term fiscal sustainability and meet climate transition challenges. This can be achieved by further advancing reforms to strengthen public finances, developing and greening uniformed medium-term fiscal framework (MTFF), and fostering sustainable finance (Annex III Box I ; and 2022 SIP Chapter 3).

25. Gradual fiscal consolidation should continue. A growth friendly and credible medium-term average annual consolidation of the non-hydrocarbon primary fiscal deficit of around 0.4 percent of non-hydrocarbon GDP would be consistent with supporting government reform efforts under the 2050 Strategy and National Net Zero by 2050 Pathway, further enhancing fiscal buffers, reducing public debt burdens, and avoiding procyclicality.

26. Public finances should be further strengthened by continuing to advance important fiscal reforms on revenue, expenditure, and debt management. This includes:

- *On the revenue side*, efforts should continue to broaden the tax base, improve the efficiency of tax collection and administration, including via further digitalization and further enforcement and enhancement of existing taxes. The economic impacts of CIT will be gradual and should be supported by phasing-out opaque business fee structures. The authorities should pursue a detailed study on the economic impacts of fiscal incentives and exemptions, including to *support* the implementation of the 2050 Strategy.

- *On the spending side*, efforts to contain expenditure growth by increasing spending efficiency, and gradually phasing out subsidies while implementing measures to strengthen social safety nets should continue. The gradual removal of subsidies will also help promote efficient energy and water usage and support climate mitigation efforts. Staff encourages consideration of climate-PIMA and green PFM (including a climate tagging system for budgetary purposes), and enhancement of PPP frameworks to better align the fiscal framework, support UAE Net Zero Emissions targets, and meet long-term climate transition challenges.[9]

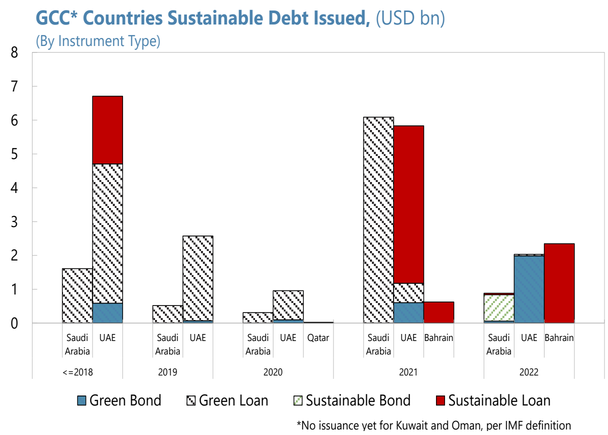
- *Sound debt management strategies* should continue to focus on further lengthening debt maturities, reducing refinancing costs, pre-financing and reducing debt in favorable times, and building a deep and liquid domestic yield curve. Efforts to assess and monitor contingent liabilities should be strengthened further, and debt, fiscal, and tax risk management practices enhanced.

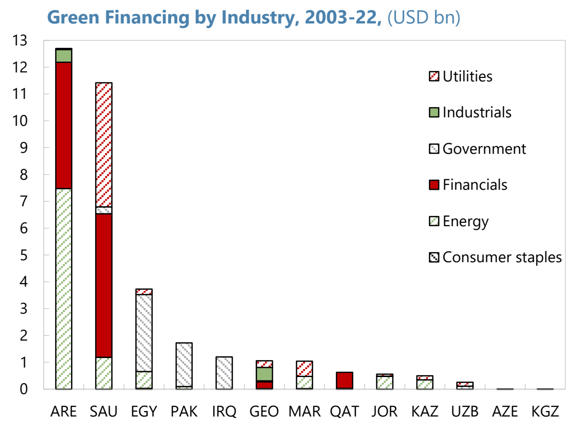
27. Further progress on fiscal frameworks is needed to reinforce reform progress. Staff urge the authorities to adopt a transparent, rules-based UAE-wide fiscal framework, including by enhancing and coordinating emirate-specific frameworks and anchors, while enforcing fiscal rules. Welcome progress under the Fiscal Coordination Council should be leveraged to further improve coordination across the public sector, including to help consolidate the UAE's overall policy stance. Given the increasing role of SWFs, there is a need to enhance sovereign asset-liability management frameworks and closely align them with MTFFs. The UAE-wide fiscal framework should be coordinated with the UAE 2050 Strategies to fully account for reform investment needs and growth benefits, including to achieve climate goals and increase resilience to vulnerabilities from global decarbonization efforts.

28. Continuing efforts to mainstream sustainable finance could reduce the direct fiscal burdens of meeting energy transition targets. The UAE 2050 Energy Strategy identifies AED 600 billion (US$163 billion, or 52.1 percent of 2021 nonhydrocarbon GDP) in financing needs to achieve long-term climate goals. At the same time, additional supporting policies and larger investments in clean energy and renewables are likely to be required under a faster global decarbonization scenario (Box 1). Investments to meet these goals without offsetting fiscal measures or alternative financing would result in higher non-hydrocarbon primary deficits during the transition period and lower net public financial wealth (Annex III Box I). Alternative financing strategies (including relying more on

[9] Climate-PIMA and green PFM deliver IMF Technical Assistance to incorporate climate considerations into long-term fiscal management. See Strengthening Governance for Climate-Responsive Public Investment (imf.org) for details.

green and sustainable private finance) would help preserve net public financial wealth. Mainstreaming private sector green finance and alternative and supporting policy options for meeting emissions goals, as well as appropriate design of these policies, could also mitigate impacts on public finances (2022 SIP Chapter 3).





Sources: Bloomberg BNEF, IMF staff estimates

29. **Further efforts are needed to improve fiscal transparency and strengthen governance and accountability.** Data limitations on public sector and fiscal statistics hinder accurate assessment of the fiscal stance, vulnerabilities, and risks. Plans to publish consolidated general government budget plans, budget outcomes and reconciliation with budgeted amounts, and sectoral spending should be timely completed. Publication of the hydrocarbon revenue management strategy would further enhance transparency. Significant room exists for enhancing data sharing and completing the harmonization of fiscal statistics and compiling and disseminating data on central and general government debt, contingent liabilities (including PPPs), and the overall public sector balance sheet.

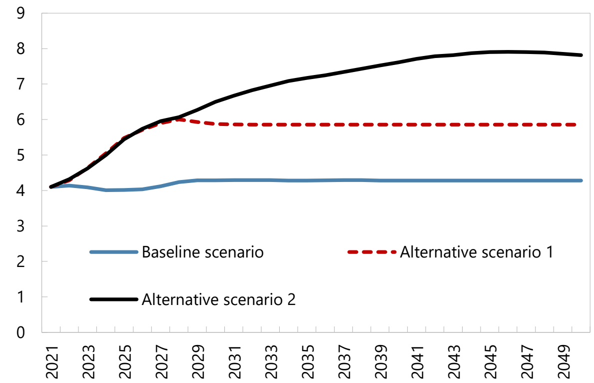
Authorities' Views

30. **The authorities acknowledged the recommendations on maintaining fiscal prudence while continuing with fiscal structural reforms and enhancing medium-term fiscal frameworks.** They noted ongoing reforms of the public workforce and social safety nets, progress on the planned introduction of CIT from 2023, work on a climate taxonomy, and on monitoring PPPs. They agreed on the importance of further enhancing fiscal frameworks and rules and acknowledged the benefits of ensuring fiscal coordination at the emirate and federal levels and coordination with the CBUAE on fiscal policies and domestic capital market development. The authorities expect important gains from digitalization of government services and enhanced administration and compliance of non-hydrocarbon revenue.

D. Sustaining Structural Reform Momentum

31. The UAE should leverage the current growth momentum to further advance diversification and adjustment to a lower carbon future. Continued diversification of the economy away from fossil fuels in line with the Strategy 2050 will play a key role in reducing the UAE's vulnerability to global decarbonization efforts and expected decline in fossil fuel demand.[10] Effective prioritization and sequencing of reforms to enhance trade and FDI, increase the role of the digital economy, and scale-up investments in green initiatives could drive higher levels of medium-term growth and diversification. Staff analysis indicates that medium-term non-hydrocarbon growth could be boosted by up to 4 percentage points as a result of well-coordinated reforms that will produce gains to productivity from trade, FDI and digitalization by increasing return on public investment including for green initiatives (Text Figure; see 2022 SIP Chapter 3).

Green Investments, Reforms and Impact on Non-Hydrocarbon GDP (%)



Sources: IMF staff estimates

Baseline scenario: Is aligned with the assumptions in the macro-framework underpinning the UAE 2022 Article IV consultation.

Alternative scenario 1: Assumes that additional investments in green energy are expected to grow by an additional 2 percent of GDP per year until 2050 under the UAE Energy Strategy.

Alternative scenario 2: Assumes that additional investments in green energy are combined with a well-coordinated and full implementation of the reform agenda. Full implementation implies that reforms are fully implemented leading to a 20 percent increase in public investment efficiency and return on investments, increase in skilled labor supply and private investments.

32. Upgrading and operationalizing policy frameworks to facilitate energy transition is crucial to support the achievement of long-term climate goals. The UAE is taking concrete steps to integrate climate policies at the sectoral level. In this regard, consideration should be given to prioritization of activities with greater economic significance and the highest potential to reduce emissions and energy intensity. The UAE is also developing a sectoral green taxonomy and financing strategies, including to mainstream green and sustainable finance. However, there is a need to standardize and publish the methodology for a measurement, reporting, and verification (MRV) framework that tracks the mitigation outcomes of policies and initiatives reflected in NDCs.

33. Scaling-up investments in renewables and infrastructure will help reduce CO2 emissions and energy intensity. The UAE is prioritizing "greening" the extraction of fossil fuels, investing in renewables and clean energy, and in advancing low-cost low-carbon technology. These

[10] For example, in 2021-22, the UAE announced ambitious national strategies including the set of new projects and initiatives "The Project of the 50", the national plan "We The UAE 2031", Digital Strategy and the Industrial Strategy "Operation 300 bn". They aim to more than double the manufacturing value added from AED 133 bn to AED 300 bn, double nominal GDP from AED 1,490 bn to AED 3,000 bn, double the contribution of the digital economy to GDP to 20 percent by 2031, generate AED 800 bn in non-oil exports, and attract over USD 150 bn FDI by 2031.

together with green and enabling infrastructure investments could drive higher growth and diversification in the medium to long term.[11]

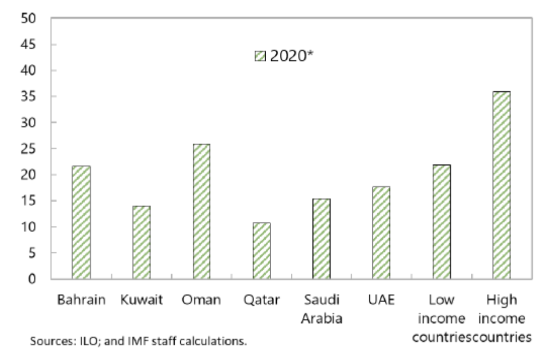
34. Green private finance and appropriate fiscal policies would support required green investments and reduce fiscal burdens. Although the UAE has substantial public financial assets, developing and scaling up private green and sustainable finance would reduce direct fiscal costs by leveraging public investment, promoting more sustainable public finances, and fostering capital market development and depth. The UAE should continue strengthening its governance, legislative and regulatory frameworks and their enforcement to create an enabling environment for the development of private green finance markets. Additional efforts are needed to develop unified data, definitions, skills, and awareness on the merits of green transition.

35. Reforms to support growth during energy transition:

- *Trade and FDI*. Recent CEPAs and reforms to boost FDI[12] will support multilateralism, boost trade and FDI, and help increase economic complexity and competitiveness to achieve sustainable, diversified, and green economic growth.[13]

- *Labor and product market reforms*. Staff welcomed the continuous efforts to modernize labor markets and enhance workers' rights. Enhancing ongoing education system reforms would ensure more efficient and inclusive investment in education and training in emerging fields to raise human capital and innovation. Legislative initiatives to encourage business dynamism, together with well targeted assistance to the most vulnerable, reforms of unemployment benefits and pension schemes and sufficient social safety nets, including for expatriates, could help attract and retain skilled professionals, further boosting productivity gains.

Estimated Share of Women in Managerial Positions
(2020, In percent)



Sources: ILO; and IMF staff calculations.
* Based on 2020 or latest available data.

- *Gender positive policies.* While, substantial progress has been made on promoting female employment, efforts should continue to close remaining gender gaps.[14] Recent legislative initiatives that prohibit gender-based discrimination in employment and efforts to support a

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[11] See 2022 SIP Chapter ''UAE: Growing Green and Sustainable.''

[12] The amendments to the UAE Commercial Companies Law that came into effect in mid-2021 significantly improved the investment climate by relaxing restrictions on foreign ownership to further liberalize trade and capital accounts.

[13] See 2022 SIP Chapter ''UAE: Quantifying gains from trade liberalization.''

[14] See Global Gender Gap Report 2022.

gender balance agenda through the Gender Balance Council along with efforts to encourage private sector labor force participation of nationals would further encourage female labor participation, including in managerial positions, and as entrepreneurs, and generate additional productivity gains.

- *Digitalization and growth*. The recently launched Digital Economy Strategy aims to double the contribution of the digital economy to 19.7 percent of GDP by 2031. Further investments in eCommerce, information technology infrastructure, capacity development, local production, expansion of electronic payment systems, as well as significant government and private sector collaboration, would enhance digital transformation.[15]

Authorities' Views

36. The authorities agreed with the importance of sustaining reform progress and prioritizing and sequencing key initiatives. They agreed that continued progress to ensure integration of strategies and policies at different levels of government combined with coordinated efforts to further advance CEPAs, the Digital Economy Strategy, and Green Strategy are key to delivering higher and sustainable medium-term growth. The authorities noted the importance of further modernizing the labor market, supporting private sector employment, and enhancing further gender and talent inclusion withing the labor force participation to increase productivity and diversification.

E. Data Issues

37. Aligning economic statistics with the UAE's level of economic development, including in the context of climate change assessments, remains a top priority. The establishment of the Higher Committee for Coordination of Statistical Work, open government data laws, and progress towards a unified UAE data strategy should strengthen the UAE's efforts to build a modern, transparent, and integrated National Statistical System. The authorities remain fully committed to the IMF's enhanced general data dissemination systems (e-GDDS) and continue to work toward subscribing to the special data dissemination standards (SDDS). Nevertheless, further efforts are needed to increase the timeliness, periodicity, and full coverage of data reporting, including of national accounts, fiscal sector, and external sector statistics (jointly with the IMF Technical Assistance), as well as the production of quarterly GDP and monthly CPI on a timely basis. In particular, the ongoing TA on external sector statistics should be pursued in a timely manner and the CBUAE should provide adequate staffing to ensure its completion. Work on revising the CPI basket weights will be finalized by end Q1 2023, while the authorities are also working on refining methodologies for complying other socio-economic indicators. Additional efforts will be needed to collect and disseminate comprehensive climate related dashboards and taxonomies. The IMF stands

[15] See 2022 SIP Chapter ''UAE: Assessing the Impact of ICT Investments on Growth."

ready to support the authorities' progress in these areas through additional capacity development (CD).

STAFF APPRAISAL

38. An effective COVID response and timely policy actions have paved the way for strong near-term economic growth. A surge in tourism and domestic activity delivered a boost to growth in 2022, while social and business friendly measures have attracted foreign talent and investment. Going forward, these factors, alongside increased public investment, should support growth and help mitigate impacts from global headwinds. Growth is projected to improve over the medium term with the implementation of reforms to lift productivity, further attract investment, and address climate challenges. In 2022, the external position is expected to be broadly in line with the level implied by medium-term fundamentals and desirable policies.

39. Maintaining balanced economic policies will help ensure sustainable growth. Policy support to those in need should remain targeted and aligned with changes in cost-of-living pressures. Inflationary outcomes should be avoided by maintaining a prudent fiscal stance and building buffers amid high oil revenue. Remaining crisis support measures should be scaled back. If adverse shocks hit the economy, scaling-up public investment to lift productivity alongside additional targeted support would be warranted.

40. While banks remain resilient to shocks, ensuring financial system health is critical to guard against risks and foster medium-term growth. Overall bank balance sheets remain healthy, and the Dirham Monetary Framework is supporting effective management of system liquidity. However, bank vulnerabilities from elevated NPLs, including legacy problem assets, tightening financial conditions, and exposures to the real estate sector underscore the importance of continued close monitoring of financial stability risks and further strengthening macroprudential frameworks. In particular, the Standards for Bank Real Estate Exposure framework is crucial to monitoring banks' comprehensive exposure to the sector; for large sectoral concentrations, capital add-ons could be considered. Major efforts have been advanced under the National AML/CFT Strategy and Action Plan to further strengthen the regulatory regime in line with the enhanced monitoring under the Financial Action Task Force recommendations and should be continued. In this context, the authorities are encouraged to request a Financial Sector Assessment Program (FSAP).

41. Digital innovation in the banking and payment systems can optimize and improve services but will need to carefully balance opportunities and risks. Developments with CBDCs and their potential future issuance should be underpinned by clear policy objectives and design safeguards for monetary and financial stability. Similarly, digital innovation in the broader financial system should be underpinned by effective supervision of new fintech actors and financial products through continued efforts on regulatory clarity, including ongoing collaboration with Supervisory Authorities of financial free zones.

42. Sound public debt management and continued development of domestic capital markets, including for sustainable finance, is welcome. Public debt remains sustainable. Efforts to strengthen debt management practices and monitor contingent liabilities should be continued. Issuance of local debt by the UAE government, supported by coordination with the CBUAE's Monetary Bills program, should continue, including at longer maturities, to help foster a liquid domestic yield curve and the development of local currency capital markets. Regulatory progress under the SFWG to promote green financing is commendable and should be completed to facilitate and mainstream ESG finance and support the UAE's overall climate strategy.

43. Medium-term fiscal reform efforts can support a smooth adjustment to a lower carbon future. Recent progress to enhance non-hydrocarbon revenues, including through the phased introduction of the CIT, and improve the efficiency of expenditure should be strengthened through further digitalization, greater enforcement and enhancement of existing taxes, revisiting of government incentives, and a gradual removal of fees and remaining subsidies. These efforts should be anchored in a transparent, rules-based UAE-wide medium-term fiscal framework underpinned by stronger coordination of emirate-specific fiscal frameworks, including to support modest annual consolidation and enhance medium-term sustainability. Advances under the Fiscal Coordination Council should continue to be leveraged to ensure coordination across the public sectors and thus a unified UAE fiscal stance.

44. Efforts to improve fiscal transparency and strengthen governance and accountability should continue. Plans to publish consolidated general government budget plans, reconsolidation with budget outcomes, and sectoral spending, should be ensured on a regular schedule. Significant room exists for enhancing data sharing, completing the harmonization of fiscal statistics, and compiling and disseminating data on central and general government debt, contingent liabilities (including PPPs), and the overall public sector balance sheet.

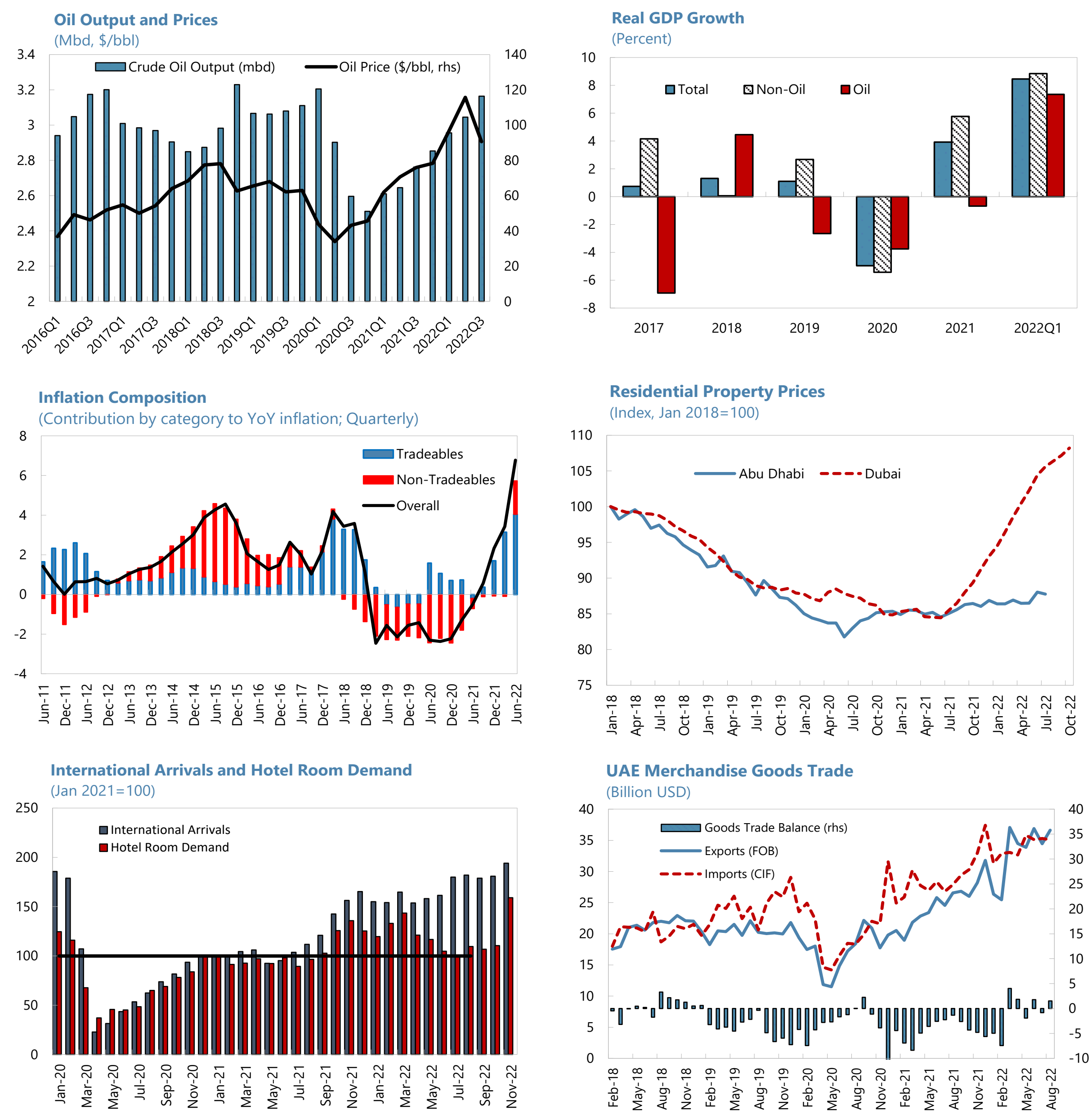
45. A well-coordinated and sequenced reform agenda can help deliver higher levels of future diversified, sustainable, and inclusive growth. The development of CEPAs is expected to boost the UAE's productivity and competitiveness over time. This could help increase the returns to investment in digital and green initiatives along with the effective sequencing of reform efforts. These gains could be enhanced with additional measures to improve the business environment, further modernize labor markets, increase human capital and educational outcomes in emerging fields, and leverage gender positive policies.

46. The UAE's long-term energy and decarbonization efforts are commendable. The significant progress under the UAE Green Strategy, Net Zero Emissions targets, and other key initiatives, including the USA-UAE Partnership for Accelerating Clean Energy, should be sustained and strengthened to ensure a smooth adjustment to a low carbon global economy. Implementing these policies—including by scaling up ongoing investment in clean energy sources and sustainable infrastructure—is essential to finding a balance to ensuring energy security through fossil fuel production and necessary policies for transition and mitigation.

47. While the collection and dissemination of data has improved, additional progress is needed and should remain a top priority. The authorities have advanced efforts to build a modern, transparent, and integrated National Statistical System and remain fully committed to meeting IMF data dissemination standards. Nevertheless, continued improvements in national accounts, fiscal sector, and external sector statistics, including with ongoing IMF Technical Assistance, are needed and should be complemented by additional efforts to refine methodologies and publish data on consumer prices and socio-economic indicators.

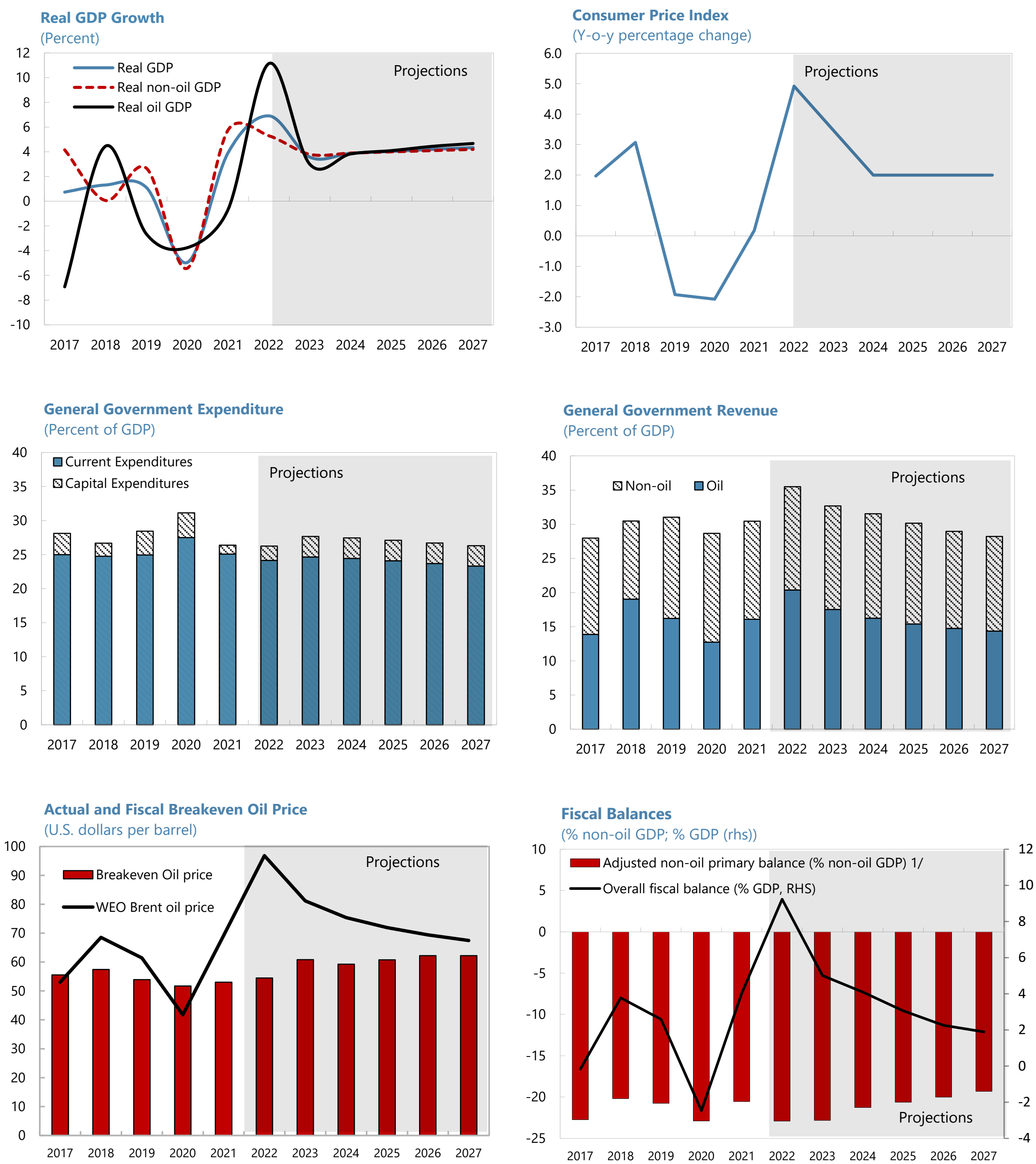
48. Staff recommend that the next Article IV consultation be held on the standard 12-month cycle.

Figure 1. United Arab Emirates: Recent Economic Developments



Sources: Country authorities; OPEC, Haver Analytics; IMF Direction of Trade Statistics, and IMF staff estimates.

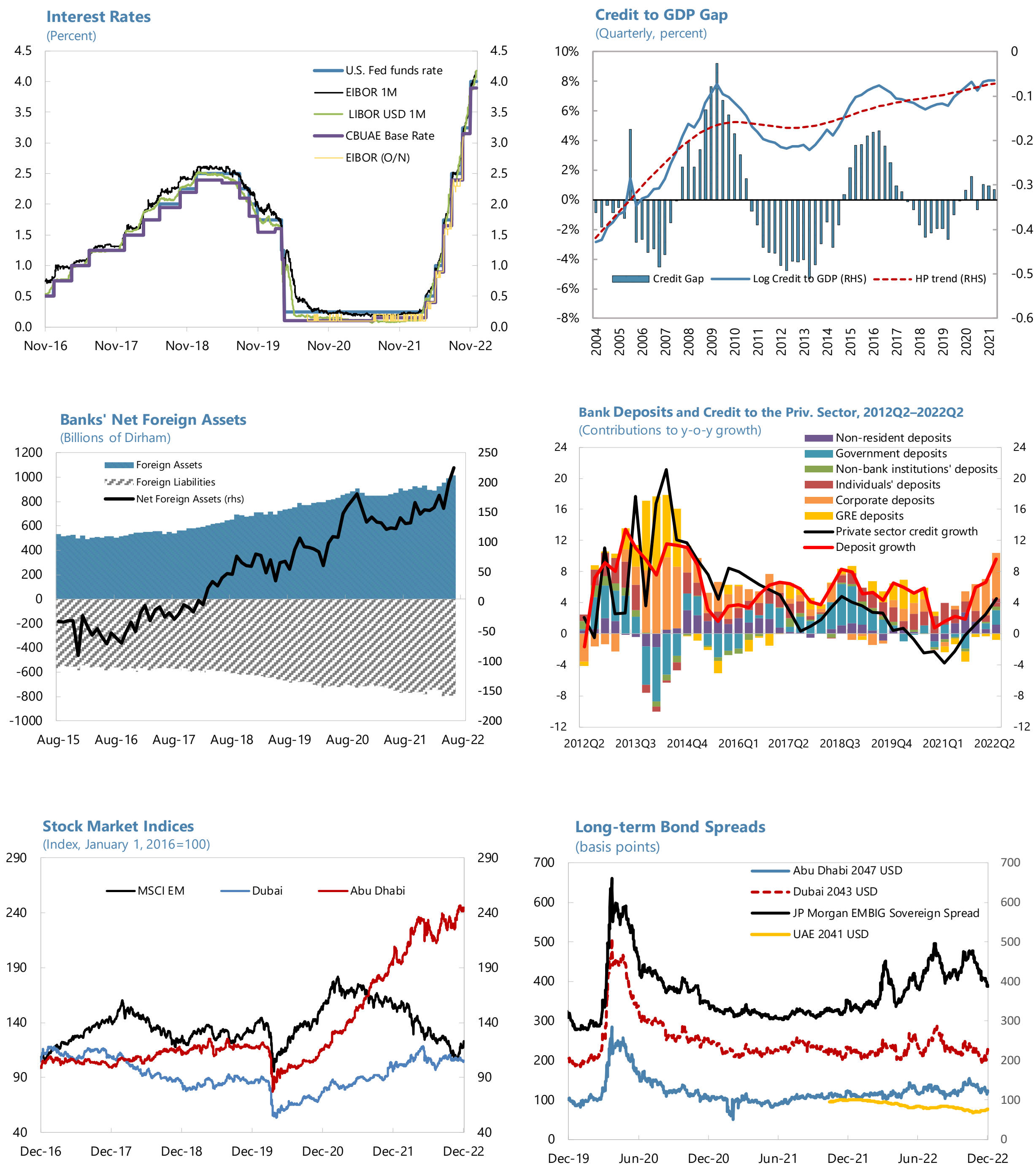
Figure 2. United Arab Emirates: Real and Fiscal Sector Developments and Outlook



Sources: Country authorities; Haver Analytics; and IMF staff estimates.

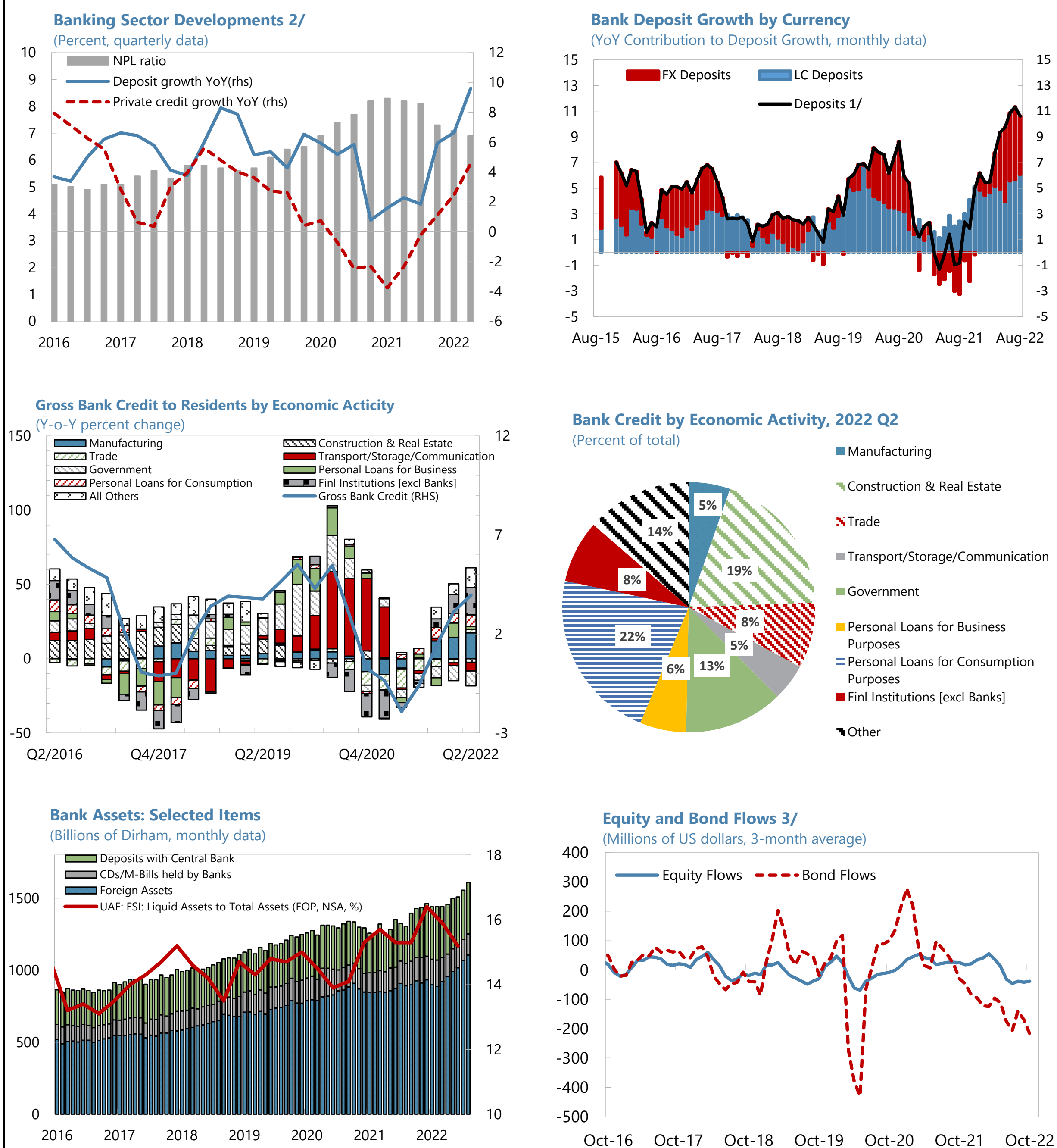
1/ Excludes staff estimates of SWF investment income.

Figure 3a. United Arab Emirates: Monetary and Financial Sector Developments



Sources: Country authorities; Haver Analytics; Bloomberg LP; and IMF staff calculations.

Figure 3b. United Arab Emirates: Banking Sector Developments



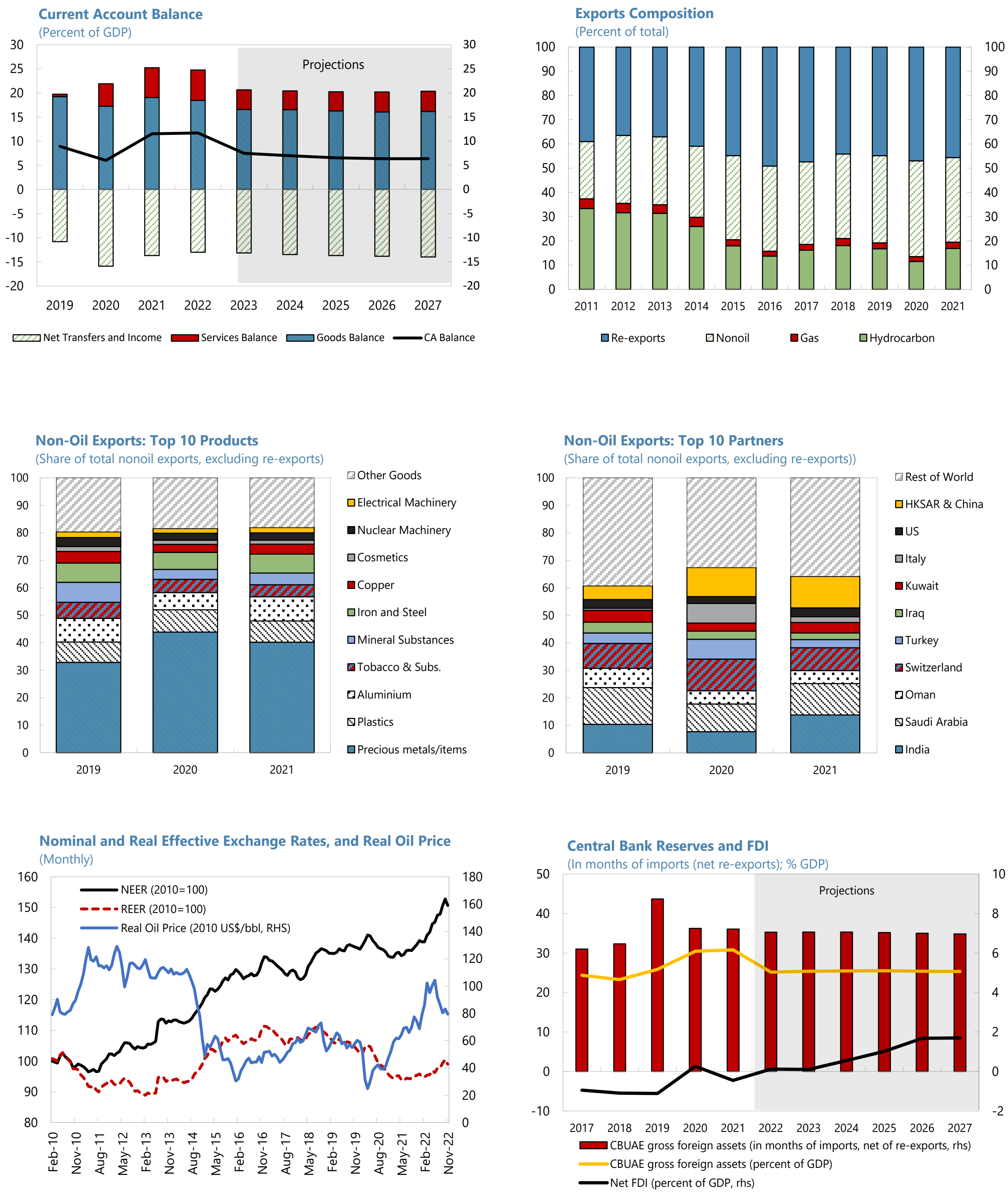
1/ Excluding government deposits and commercial prepayments.

2/ Starting from 2021Q4, the CBUAE implemented the new methodology detailed in the 2019 FSIs Guide. This resulted in a downward shift in reported NPLs ratios.

3/ Fund flows and allocations data as collected by Emerging Portfolio Fund Research (EPFR).

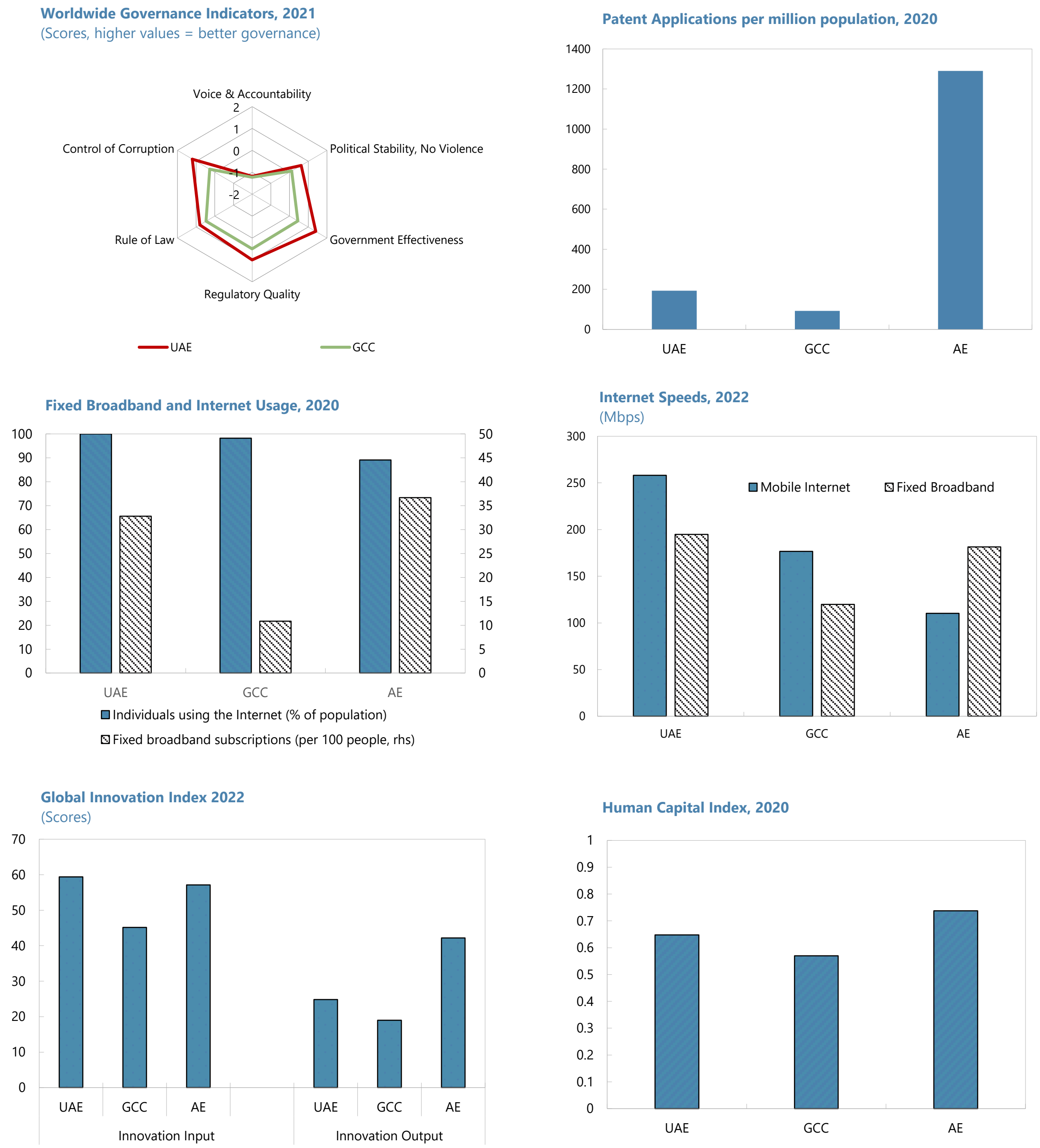
Sources: Country authorities; Haver Analytics; Bloomberg LP; and IMF staff calculations.

Figure 4. United Arab Emirates: External Sector Developments



Sources: Country authorities; and IMF staff calculations and estimates.

Figure 5. United Arab Emirates: Business Environment and Governance Indicators



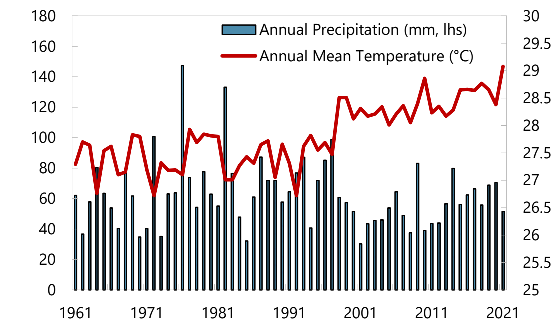
Sources: Worldwide Governance Indicators, D. Kaufmann (Natural Resource Governance Institute and Brookings Institution) and A. Kraay (World Bank), 2021; World Development Indicators; Speedtest Global Index (September 2022); World Bank Human Capital Project; Global Innovation Index (2022), and IMF staff estimates.

Notes: Worldwide Governance Indicators rely on survey-based indicators to reflect perceptions of business environment and governance and can be biased by experts' views; quality of underlying data can vary across countries and data sources. Human Capital Index is a measure of human capital a child born today can expect to achieve by age 18 given health and education standards currently prevailing in the country of birth. The index ranges between 0 and 1, 1 only implying that a child born today can expect to achieve their full potential. The index is calculated using publicly available data on survival, education, and health indicators.

Figure 6. United Arab Emirates: Climate Change

The UAE is exposed to physical risks from climate change, particularly through rising temperatures…

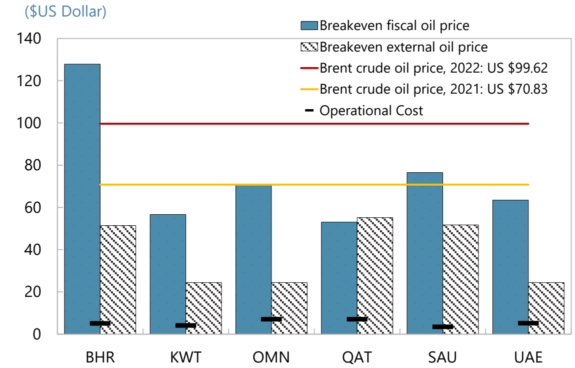
UAE Precipitation and Mean Temperature
(mm,lhs ; °C)



Source: World Bank Climate Change Knowledge Portal.

But favorable extract costs and breakeven prices help mitigate vulnerabilities to global decarbonization efforts.

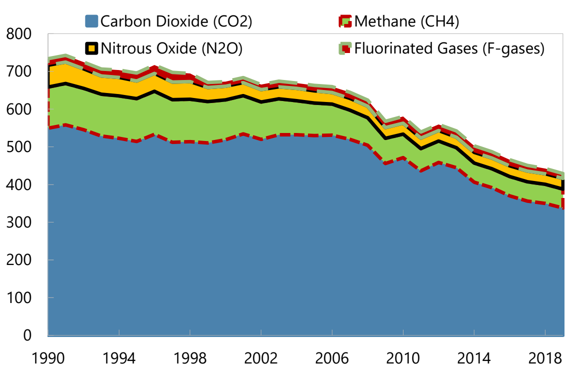
Fiscal and External Vulnerabilities
($US Dollar)



Sources: National Authorities, Rystad Energy, IMF staff calculations.

UAE emissions have declined notably since the GFC, but CO2 remains the main source of emission.

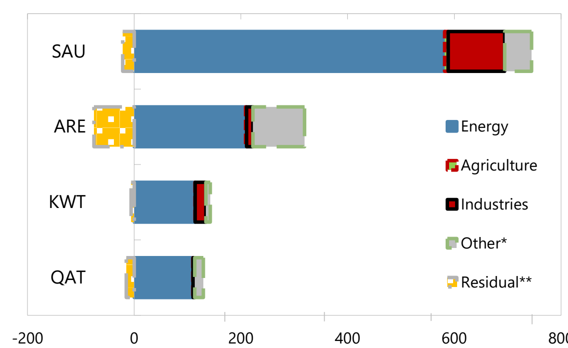
Evolution and Composition (MtCO2e)



Sources: CAIT, IMF staff calculations.

As in other GCC countries, the UAE's energy sector is the largest emitter of CO2.

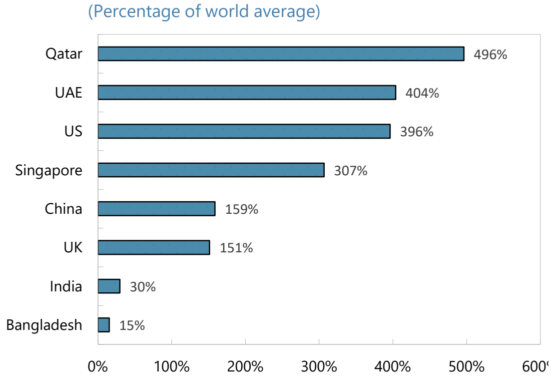
Largest Emitters and Sources
(MtCO2e)



Sources: CAIT, IMF staff calculations.

UAE electricity consumption is relatively high…

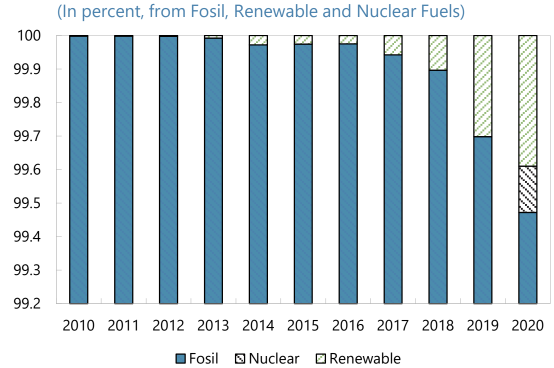
Per Capita Electricity Consumption
(Percentage of world average)



Source: US Energy Information Administration, IMF staff calculations.

But has begun to shift towards renewables and nuclear.

Direct Primary Energy Consumption
(In percent, from Fosil, Renewable and Nuclear Fuels)



Sources: Our World in Data, IMF staff calculations.

Table 1. United Arab Emirates: Selected Economic Indicators, 2018-27

	2018	2019	2020	2021	Est. 2022	Proj. 2023	Proj. 2024	Proj. 2025	Proj. 2026	Proj. 2027
	(Annual percent change, unless otherwise indicated)									
Output and prices										
Real GDP	1.3	1.1	-5.0	3.9	6.9	3.6	3.9	4.0	4.2	4.3
Real hydrocarbon GDP	4.5	-2.6	-3.8	-0.7	11.1	3.0	3.8	4.1	4.4	4.4
Real nonhydrocarbon GDP	0.1	2.7	-5.4	5.8	5.3	3.8	3.9	4.0	4.1	4.2
CPI inflation (average)	3.1	-1.9	-2.1	0.2	4.9	3.4	2.0	2.0	2.0	2.0
Oil sector										
Exports of hydrocarbon (in billions of USD)	67.3	60.1	36.8	62.8	95.5	83.9	80.6	80.0	80.6	81.8
Average crude oil export price `	71.6	64.2	43.3	70.8	99.6	85.2	79.2	75.8	73.4	71.7
Crude oil production (in millions of barrels per day)	3.0	3.1	2.8	2.7	3.1	3.0	3.2	3.3	3.5	3.6
	(Percent of GDP, unless otherwise indicated)									
Saving and Investment 5/										
Gross national saving	34.0	31.5	26.1	34.5	37.2	33.9	33.7	33.3	33.1	33.2
Public	7.6	8.0	3.4	7.2	13.1	10.1	9.1	8.3	7.8	7.4
Private	26.4	23.5	22.7	27.3	24.2	23.8	24.5	25.0	25.3	25.8
Gross domestic investment	24.4	22.6	20.1	23.0	25.6	26.3	26.7	26.6	26.6	26.7
Total fixed capital formation	17.1	18.4	20.2	20.2	20.7	22.0	22.5	22.7	23.1	23.1
Public	10.9	12.0	12.3	11.7	11.4	11.3	11.1	10.7	10.5	10.3
Private	6.2	6.4	7.9	8.5	9.3	10.7	11.4	12.0	12.6	12.8
Public finances										
Revenue	30.5	31.0	28.7	30.4	35.5	33.0	32.0	31.2	30.7	30.4
Taxes	13.6	14.9	11.8	13.0	17.8	16.5	15.6	15.1	15.1	15.1
Social Contributions 4/	0.3	0.3	1.0	0.9	2.0	0.9	0.9	0.9	0.9	0.9
Other revenue	16.6	15.9	15.9	16.5	15.7	15.6	15.5	15.2	14.8	14.4
Expenditures	26.7	28.4	31.1	26.4	26.3	27.8	27.7	27.7	27.7	27.7
Expense	24.8	25.0	27.5	25.1	24.2	24.8	24.7	24.7	24.7	24.7
Net acquisition of nonfinancial assets	1.9	3.5	3.6	1.3	2.2	3.0	3.0	3.0	3.0	3.0
Net lending(+)/borrowing(-) (Revenue minus expenditu	3.8	2.6	-2.5	4.0	9.2	5.3	4.3	3.5	3.0	2.7
Adjusted nonhydrocarbon primary balance 1/	-20.2	-20.8	-22.9	-20.5	-21.1	-22.6	-22.1	-21.7	-21.2	-20.4
Gross general government debt 2/	21.3	26.8	41.1	35.9	30.2	29.8	28.9	28.0	26.9	25.9
	(Annual percent change)									
Monetary sector										
Net foreign assets	27.2	16.0	6.0	20.6	29.2	16.7	10.6	9.9	8.3	6.8
Net domestic assets	-6.1	4.2	3.9	-2.1	-4.0	-2.0	2.2	3.2	5.2	6.6
Credit to private sector	4.0	0.6	-2.6	1.5	7.3	5.2	5.6	5.9	6.2	6.3
Broad money	2.5	8.0	4.6	5.8	9.2	6.8	6.5	6.8	6.9	6.7
	(Billions of U.S. dollars, unless otherwise indicated)									
External sector										
Exports and re-exports of goods	321	314	272	323	398	391	404	421	441	464
Hydrocarbon	67	60	37	63	96	84	81	80	81	82
Nonhydrocarbon, excluding re-exports	112	113	107	113	118	122	132	141	150	161
Re-exports	142	141	128	147	184	185	191	200	210	221
Imports of goods	235	233	212	244	304	306	316	330	347	365
Current account balance	41.2	37.3	21.1	48.0	59.2	39.0	37.1	37.1	38.4	39.9
Current account balance (in percent of GDP)	9.7	8.9	6.0	11.6	11.7	7.6	7.0	6.7	6.6	6.5
External debt (in percent of GDP)	70.1	81.1	110.0	97.3	85.3	86.8	86.5	84.8	82.7	80.4
Central bank gross foreign assets 3/	99.3	108.1	106.5	127.8	127.8	130.9	135.7	143.3	151.3	159.7
In months of next year's imports of goods & services, net of re-exports	6.5	8.7	7.3	7.2	7.2	7.2	7.2	7.2	7.2	7.2
Memorandum items:										
Nominal GDP (in billions of UAE dirhams)	1,568	1,535	1,283	1,524	1,863	1,888	1,952	2,038	2,140	2,253
Local currency per U.S. dollar (actual, period average)	3.67	3.67	3.67	3.67	…	…	…	…	…	…

Sources: Country authorities; and IMF staff estimates and projections.

1/ In percent of nonhydrocarbon GDP. Excludes staff estimates of SWF investment income; partial coverage of Abu Dhabi government and Abu Dhabi pension fund accounts.

2/ Includes government-guaranteed debt.

3/ Excludes staff estimates of foreign assets of sovereign wealth funds; includes the SDR allocation of SDR 2.2 billion.

4/ Social contributions increased in 2020 due to increase in coverage (around 0.7 percent of GDP).

5/ Staff estimates from 2021.

Table 2. United Arab Emirates: Balance of Payments, 2018-27

	2018	2019	2020	2021	Est. 2022	Proj. 2023	Proj. 2024	Proj. 2025	Proj. 2026	Proj. 2027
	(Billions of U.S. dollars, unless otherwise specified)									
Current account balance	41.2	37.3	21.1	48.0	59.2	39.0	37.1	37.1	38.4	39.9
(In percent of GDP)	9.7	8.9	6.0	11.6	11.7	7.6	7.0	6.7	6.6	6.5
Trade balance	85.7	80.5	60.3	79.0	93.3	85.1	87.8	90.7	94.2	98.7
Exports	321.0	313.8	272.2	323.3	397.6	390.9	403.9	420.9	441.1	464.0
Oil and oil products	57.9	52.4	31.3	54.6	82.6	72.6	69.9	69.3	69.9	71.0
Natural gas	9.4	7.7	5.4	8.3	12.9	11.3	10.8	10.7	10.7	10.9
Nonoil	111.8	113.0	107.4	113.0	117.8	121.8	131.9	141.0	150.4	161.2
Re-exports	141.9	140.7	128.0	147.5	184.3	185.2	191.4	200.0	210.1	221.0
Imports (f.o.b.)	-235.4	-233.3	-211.8	-244.3	-304.3	-305.8	-316.0	-330.3	-346.9	-365.3
Imports by emirates	-137.4	-136.3	-122.5	-148.4	-193.5	-191.1	-192.4	-199.6	-207.7	-216.3
Free zones	-94.5	-93.5	-86.7	-92.6	-107.2	-110.9	-120.0	-127.6	-136.2	-146.4
Natural gas	-3.5	-3.5	-2.7	-3.3	-3.6	-3.8	-3.6	-3.1	-3.0	-2.5
Income, net	1.4	2.1	-1.9	-0.7	-2.0	1.0	0.6	0.8	1.1	1.3
Banking system (net)	-1.9	-1.4	-1.1	-1.1	-2.5	-8.7	-9.3	-7.2	-5.2	-5.5
Private non-banks (net)	-1.3	-1.6	-0.8	-1.1	-1.2	-3.8	-3.6	-2.9	-2.4	-2.4
Government	9.6	9.7	3.5	6.9	7.3	20.2	20.0	16.9	14.2	15.0
Official debt service (interest)	-1.8	-1.8	-0.9	-1.4	-1.4	-3.0	-2.8	-2.4	-2.0	-2.2
Foreign partners - oil	-3.2	-2.8	-2.6	-3.9	-4.2	-3.7	-3.6	-3.5	-3.6	-3.6
Foreign partners - gas	-12.9	-11.3	-7.7	-10.4	-16.6	-15.3	-15.2	-15.4	-15.8	-16.0
Services, net	0.3	2.1	16.3	25.7	31.9	21.8	21.6	23.0	25.3	27.2
Credits	87.5	90.3	78.1	101.8	120.7	114.4	114.8	119.9	127.1	134.2
Debits	-87.2	-88.2	-61.8	-76.1	-88.8	-92.6	-93.2	-97.0	-101.8	-107.0
Transfers, net	-46.1	-47.3	-53.6	-56.0	-64.1	-68.8	-72.9	-77.4	-82.2	-87.3
Private (incl. remittances)	-38.3	-38.0	-37.3	-38.3	-44.5	-47.8	-50.6	-53.7	-57.0	-60.6
Official	-7.8	-9.3	-16.3	-17.8	-19.6	-21.0	-22.3	-23.7	-25.1	-26.7
Capital account balance	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial account balance	-34.5	-22.9	-26.4	-26.4	-59.2	-35.9	-32.3	-29.5	-30.4	-31.5
Private capital	-31.8	-20.1	-20.4	-18.2	-56.5	-34.8	-31.0	-27.9	-28.6	-29.5
Direct investment, net	-4.7	-4.7	0.9	-1.9	0.6	0.4	2.8	5.4	9.6	10.1
Outward	-15.1	-18.5	-18.9	-22.5	-25.3	-25.8	-25.4	-25.2	-23.2	-24.4
Inward	10.4	13.8	19.9	20.7	25.9	26.2	28.2	30.6	32.8	34.5
Portfolio flows, net	1.1	1.1	1.1	1.2	1.1	1.1	1.2	1.2	1.3	1.3
Commercial banks	-21.8	-8.6	-11.5	-5.8	-45.1	-27.0	-25.0	-24.0	-28.2	-29.0
Private nonbanks and other 1/	-6.4	-8.0	-10.9	-11.8	-13.0	-9.4	-9.9	-10.5	-11.2	-11.9
Official capital 2/	-2.7	-2.8	-6.0	-8.1	-2.7	-1.0	-1.3	-1.6	-1.8	-2.1
Errors and omissions	-3.2	-4.8	1.6	1.6	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	3.5	9.6	-3.7	23.1	0.0	3.1	4.8	7.6	8.0	8.4
Change in central bank reserves	-3.5	-9.6	3.7	-23.1	0.0	-3.1	-4.8	-7.6	-8.0	-8.4
Memorandum items:										
GDP (billions of U.S. dollars)	427.0	418.0	349.5	415.0	507.2	514.0	531.5	555.0	582.7	613.4
Gross reserves of central bank (billions of U.S. dollars) 3/	99.3	108.1	106.5	127.8	127.8	130.9	135.7	143.3	151.3	159.7
in months of next year's imports, net of re-exports	6.5	8.7	7.3	7.2	7.2	7.2	7.2	7.2	7.2	7.2

Sources: Country authorities; and IMF staff estimates and projections.

1/ Estimate based on *UNCTAD World Investment Report.*

2/ Including estimated changes in SWF net external assets.

3/ Including the SDR allocation of SDR 2.2 billion.

Table 3a. United Arab Emirates: General Government Finances, 2018-27

	2018	2019	2020	2021	Est. 2022	Proj. 2023	Proj. 2024	Proj. 2025	Proj. 2026	Proj. 2027
	(Billions of UAE dirhams, unless otherwise specified)									
Total revenue	477.7	476.5	367.9	463.9	661.7	623.8	625.0	636.3	657.8	683.9
Taxes 1/	213.0	228.5	151.2	198.6	332.4	311.6	304.0	307.4	322.2	339.5
Social Contributions 2/	4.8	4.6	12.9	13.5	36.8	17.0	17.6	18.3	19.0	19.7
Grants	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Revenue	259.9	243.3	203.8	251.8	292.5	295.2	303.4	310.6	316.6	324.7
Expenditures (a+b)	418.6	436.7	399.5	402.4	490.7	524.6	540.2	564.9	593.1	623.9
Expense (a)	388.2	383.0	353.0	382.4	449.9	467.6	481.6	503.6	528.5	556.0
Compensation of employees	83.2	107.7	110.0	113.5	130.0	132.6	136.3	142.4	148.9	156.7
Use of goods and services	86.6	119.4	105.2	125.5	152.1	155.2	159.5	167.5	176.1	185.8
Consumption of fixed capital	4.6	5.3	6.5	9.2	10.3	11.0	11.6	12.4	13.1	13.9
Interest	3.7	4.5	3.8	4.6	8.4	11.2	10.8	10.5	10.6	10.6
Subsidies	32.9	26.9	36.4	35.3	37.8	37.4	37.2	37.2	37.2	36.8
Grants	13.3	16.3	4.0	1.8	3.0	6.3	6.3	6.3	6.5	6.5
Social Benefits	65.8	74.6	64.9	60.9	69.0	69.7	71.6	74.5	78.3	82.4
Other expenses	98.1	28.2	22.2	31.6	39.3	44.3	48.3	52.8	57.8	63.2
Net acquisition of nonfinancial assets (b)	30.4	53.7	46.5	20.0	40.9	57.1	58.6	61.3	64.6	67.9
Net operating balance (Revenue minus expense)	89.5	93.4	14.8	81.5	211.8	156.2	143.4	132.7	129.4	127.9
Net lending(+)/borrowing(-) (Revenue minus expenditures)	59.1	39.8	-31.7	61.5	170.9	99.1	84.8	71.3	64.7	60.0
Net acquisition of financial assets	98.8	29.9	-18.8	81.3	178.8	108.6	91.2	80.3	73.8	69.1
Domestic	104.6	31.5	-15.4	82.0	46.1	37.1	35.1	34.4	33.4	37.8
Foreign	-5.8	-1.6	-3.4	-0.7	132.7	71.4	56.1	46.0	40.4	31.3
Net incurrence of liabilities	39.7	-9.8	12.9	19.8	7.9	9.4	6.4	9.0	9.1	9.1
Domestic	39.7	-9.8	12.9	5.3	-1.0	4.0	4.0	6.0	6.0	6.0
Foreign	0.0	0.0	0.0	14.5	8.9	5.4	2.4	3.0	3.1	3.1
Memorandum Items:										
Hydrocarbon revenue	298.4	248.9	163.4	245.1	379.6	341.8	334.0	334.3	340.4	344.4
Profit transfers from the national oil company to SWF 3/	75.0	67.8	39.0	78.5	117.4	100.4	95.5	94.0	94.7	96.1
Nonhydrocarbon revenue	179.3	227.6	204.4	218.7	282.1	281.9	291.0	302.0	317.4	339.5
Investment income (from SWF) 3/	0.0	42.3	51.6	57.5	69.9	79.2	83.3	82.9	82.7	82.6
Adjusted nonhydrocarbon primary balance 4/	-235.6	-246.8	-242.9	-236.5	-270.2	-310.7	-321.8	-335.3	-347.8	-356.4
In percent of nonhydrocarbon GDP	-20.2	-20.8	-22.9	-20.5	-21.1	-22.6	-22.1	-21.7	-21.2	-20.4
Fiscal breakeven oil price (US $ per barrel)	57.4	53.9	51.7	53.1	54.8	60.5	59.1	59.6	59.5	59.2
	(Percent of GDP)									
Total revenue	30.5	31.0	28.7	30.4	35.5	33.0	32.0	31.2	30.7	30.4
Taxes 1/	13.6	14.9	11.8	13.0	17.8	16.5	15.6	15.1	15.1	15.1
Social Contributions 2/	0.3	0.3	1.0	0.9	2.0	0.9	0.9	0.9	0.9	0.9
Grants	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Revenue	16.6	15.9	15.9	16.5	15.7	15.6	15.5	15.2	14.8	14.4
Expenditures	26.7	28.4	31.1	26.4	26.3	27.8	27.7	27.7	27.7	27.7
Expense	24.8	25.0	27.5	25.1	24.2	24.8	24.7	24.7	24.7	24.7
Compensation of employees	5.3	7.0	8.6	7.4	7.0	7.0	7.0	7.0	7.0	7.0
Use of goods and services	5.5	7.8	8.2	8.2	8.2	8.2	8.2	8.2	8.2	8.2
Consumption of fixed capital	0.3	0.3	0.5	0.6	0.6	0.6	0.6	0.6	0.6	0.6
Interest	0.2	0.3	0.3	0.3	0.4	0.6	0.6	0.5	0.5	0.5
Subsidies	2.1	1.8	2.8	2.3	2.0	2.0	1.9	1.8	1.7	1.6
Grants	0.8	1.1	0.3	0.1	0.2	0.3	0.3	0.3	0.3	0.3
Social Benefits	4.2	4.9	5.1	4.0	3.7	3.7	3.7	3.7	3.7	3.7
Other expenses	6.3	1.8	1.7	2.1	2.1	2.3	2.5	2.6	2.7	2.8
Net acquisition of nonfinancial assets	1.9	3.5	3.6	1.3	2.2	3.0	3.0	3.0	3.0	3.0
Net operating balance (Revenue minus Expense)	5.7	6.1	1.2	5.3	11.4	8.3	7.3	6.5	6.0	5.7
Net lending(+)/borrowing(-)	3.8	2.6	-2.5	4.0	9.2	5.3	4.3	3.5	3.0	2.7
Net acquisition of financial assets	6.3	1.9	-1.5	5.3	9.6	5.8	4.7	3.9	3.4	3.1
Domestic	6.7	2.1	-1.2	5.4	2.5	2.0	1.8	1.7	1.6	1.7
Foreign	-0.4	-0.1	-0.3	0.0	7.1	3.8	2.9	2.3	1.9	1.4
Net incurrence of liabilities	2.5	-0.6	1.0	1.3	0.4	0.5	0.3	0.4	0.4	0.4
Domestic	2.5	-0.6	1.0	0.4	-0.1	0.2	0.2	0.3	0.3	0.3
Foreign	0.0	0.0	0.0	1.0	0.5	0.3	0.1	0.1	0.1	0.1
Memorandum Items:										
Hydrocarbon revenue	19.0	16.2	12.7	16.1	20.4	18.1	17.1	16.4	15.9	15.3
Profit transfers from the national oil company to SWF 3/	4.8	4.4	3.0	5.2	6.3	5.3	4.9	4.6	4.4	4.3
Nonhydrocarbon revenue	11.4	14.8	15.9	14.4	15.1	14.9	14.9	14.8	14.8	15.1
Investment income (from SWF) 3/	0.0	2.8	4.0	3.8	3.8	4.2	4.3	4.1	3.9	3.7

Sources: Country authorities and IMF staff estimates and projections.

Note: The data covers federal government units, General Pension and Social Security Authority, Abu Dhabi Pension Fund, and the entities of the seven emirates (state government). Fluctuation in data coverage is due to changes in government structure. For example, in 2021, the federal government had 19 ministries and 30 extra-budgetary units, while in 2020 the coverage was 19 ministries and 36 extra-budgetary units. Moreover, there are yearly changes in coverage by emirate level governments. Changes in coverage could lead to volatility in data.

1/ The taxes in 2019 include VAT collected amounts for 2018 and 2019.

2/ In 2020 the coverage of the social security funds sector extended to include Abu Dhabi Pension Fund. The increase in social contributions in 2022 is due to changes in pensionable salaries of Abu Dhabi government entities.

3/ Staff estimates.

4/ Excludes staff estimates of SWF investment income; partial coverage of Abu Dhabi government and Abu Dhabi pension fund accounts.

Table 3b. United Arab Emirates: Central Government Finances, 2018-27

	2018	2019	2020	2021	Est. 2022	Proj. 2023	Proj. 2024	Proj. 2025	Proj. 2026	Proj. 2027
				(Billions of UAE dirhams)						
Total revenue	65.7	80.4	63.8	57.7	69.6	73.4	76.6	81.6	86.8	92.3
Taxes	0.9	14.9	8.8	8.2	9.1	11.3	13.2	15.5	18.3	21.5
Social Contributions	0.4	0.4	0.4	0.5	0.5	0.5	0.5	0.5	0.6	0.6
Grants	18.0	13.4	11.0	10.6	13.7	14.2	14.5	15.2	15.6	15.7
Other Revenue	46.4	51.7	43.6	38.4	46.3	47.4	48.4	50.3	52.4	54.5
Expenditures (a+b)	62.2	65.4	64.4	56.6	72.1	72.9	75.6	79.8	84.6	89.8
Expense (a)	57.9	61.8	59.2	56.5	68.9	69.0	71.5	75.2	79.6	84.4
Compensation of employees	21.8	22.5	22.9	21.6	23.8	24.6	25.1	26.4	28.2	29.9
Use of goods and services	22.4	26.2	24.7	19.3	23.4	24.3	25.0	26.0	27.1	28.5
Consumption of fixed capital	0.7	0.9	0.9	3.9	3.6	3.9	4.2	4.4	4.7	5.0
Interest	0.0	0.0	0.0	0.2	0.5	0.5	0.5	0.5	0.5	0.5
Subsidies	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Grants	1.1	0.6	0.6	1.3	1.4	1.5	1.6	1.7	1.8	1.8
Social Benefits	8.7	8.8	8.9	9.0	10.1	11.0	11.7	12.6	13.5	14.4
Other expenses	3.2	2.8	1.3	1.3	6.0	3.2	3.4	3.6	3.9	4.2
Net acquisition of nonfinancial assets (b)	4.2	3.6	5.2	0.1	3.3	3.8	4.1	4.6	5.0	5.5
Net operating balance (Revenue minus expense)	7.8	18.7	4.5	1.2	0.8	4.4	5.1	6.4	7.2	8.0
Net lending(+)/borrowing(-) (Revenue minus expenditures)	3.6	15.1	-0.6	1.1	-2.5	0.5	1.0	1.8	2.2	2.5
Net acquisition of financial assets	4.3	-10.3	-2.1	14.7	12.8	0.5	1.0	1.8	2.2	2.5
Domestic	4.3	-10.3	-7.2	14.7	12.8	0.5	1.0	1.8	2.2	2.5
Foreign	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net incurrence of liabilities	0.9	-25.4	-1.5	13.7	15.3	6.0	6.0	6.0	6.0	6.0
Domestic	0.9	-25.4	-1.5	-0.8	9.0	6.0	6.0	6.0	6.0	6.0
Foreign	0.0	0.0	0.0	14.5	6.3	0.0	0.0	0.0	0.0	0.0
				(Percent of GDP)						
Total revenue	4.2	5.2	5.0	3.8	3.7	3.9	3.9	4.0	4.1	4.1
Taxes	0.1	1.0	0.7	0.5	0.5	0.6	0.7	0.8	0.9	1.0
Social Contributions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Grants	1.2	0.9	0.9	0.7	0.7	0.8	0.7	0.7	0.7	0.7
Other Revenue	3.0	3.4	3.4	2.5	2.5	2.5	2.5	2.5	2.4	2.4
Expenditures (a+b)	4.0	4.3	5.0	3.7	3.9	3.9	3.9	3.9	4.0	4.0
Expense (a)	3.7	4.0	4.6	3.7	3.7	3.7	3.7	3.7	3.7	3.7
Compensation of employees	1.4	1.5	1.8	1.4	1.3	1.3	1.3	1.3	1.3	1.3
Purchase of goods and services	1.4	1.7	1.9	1.3	1.3	1.3	1.3	1.3	1.3	1.3
Consumption of fixed capital	0.0	0.1	0.1	0.3	0.2	0.2	0.2	0.2	0.2	0.2
Interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Subsidies	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Grants	0.1	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Social Benefits	0.6	0.6	0.7	0.6	0.5	0.6	0.6	0.6	0.6	0.6
Other expenses	0.2	0.2	0.1	0.1	0.3	0.2	0.2	0.2	0.2	0.2
Net acquisition of nonfinancial assets (b)	0.3	0.2	0.4	0.0	0.2	0.2	0.2	0.2	0.2	0.2
Net operating balance (Revenue minus Expense)	0.5	1.2	0.4	0.1	0.0	0.2	0.3	0.3	0.3	0.4
Net lending(+)/borrowing(-) (Revenue minus expenditures)	0.2	1.0	-0.1	0.1	-0.1	0.0	0.1	0.1	0.1	0.1
Net acquisition of financial assets	0.3	-0.7	-0.2	1.0	0.7	0.0	0.1	0.1	0.1	0.1
Domestic	0.3	-0.7	-0.6	1.0	0.7	0.0	0.1	0.1	0.1	0.1
Foreign	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net incurrence of liabilities	0.1	-1.7	-0.1	0.9	0.8	0.3	0.3	0.3	0.3	0.3
Domestic	0.1	-1.7	-0.1	-0.1	0.5	0.3	0.3	0.3	0.3	0.3
Foreign	0.0	0.0	0.0	1.0	0.3	0.0	0.0	0.0	0.0	0.0

Sources: Country authorities and IMF staff estimates and projections.

Table 4. United Arab Emirates: Monetary Survey, 2018-27

	2018	2019	2020	2021	Est. 2022	Proj. 2023	Proj. 2024	Proj. 2025	Proj. 2026	Proj. 2027
				(Billions of UAE dirhams)						
Net foreign assets	420	487	517	623	805	939	1,039	1,142	1,236	1,321
Foreign assets	1,044	1,168	1,240	1,403	1,654	1,806	1,923	2,043	2,156	2,259
Central Bank 1/	365	397	391	469	469	481	498	526	556	586
Commercial banks	680	771	849	933	1,185	1,325	1,424	1,517	1,600	1,672
Foreign liabilities	624	681	723	780	850	867	884	902	920	938
Central bank	4	1	8	1	1	1	1	1	1	1
Commercial banks	620	680	716	778	849	865	883	900	918	937
Net domestic assets	888	926	962	942	904	886	905	935	983	1,048
Claims on government (net)	-122	-66	-30	-34	-43	-53	-61	-65	-68	-71
Claims	174	239	261	260	250	245	240	237	234	231
Deposits	296	306	292	294	293	298	301	302	302	302
Claims on other sovereign	117	117	117	117	117	117	117	117	117	117
Claims on public sector enterprises	209	224	262	278	262	244	224	206	210	214
Claims on private sector	1,152	1,159	1,128	1,146	1,229	1,293	1,365	1,445	1,535	1,631
Claims on other financial institutions	32	26	28	27	30	32	34	36	38	40
Other items (net)	-500	-534	-543	-585	-692	-748	-774	-804	-848	-883
Capital and reserves (-)	-378	-418	-419	-429	-446	-480	-501	-521	-543	-565
Other assets (net)	-122	-116	-124	-156	-245	-268	-273	-282	-306	-318
Central Bank	-298	-319	-287	-370	-405	-409	-417	-435	-454	-474
Commercial banks	176	203	163	213	160	140	145	153	149	156
Broad money (M2)	1,308	1,413	1,479	1,565	1,709	1,825	1,944	2,076	2,220	2,369
Money	486	516	601	704	769	821	875	935	999	1,066
Currency outside banks	71	78	95	97	106	113	120	128	137	146
Dirham demand deposits	416	437	506	608	664	709	755	806	862	920
Quasi-money	822	897	878	861	940	1,003	1,069	1,142	1,220	1,302
Foreign currency deposits	304	323	331	340	372	397	423	452	483	515
Dirham time and savings deposits	518	575	547	520	568	606	646	690	738	787
Memorandum items:										
Dirham denominated liquidity	1,004	1,091	1,147	1,225	1,337	1,428	1,521	1,625	1,737	1,854
Reserve money	380	410	427	484	529	564	601	642	687	733
Foreign currency deposits/total deposits (in percer	24.6	24.2	23.9	23.2	23.2	23.2	23.2	23.2	23.2	23.2
NFA/M2 (in percent) 1/	32.1	34.5	34.9	39.8	47.1	51.5	53.4	55.0	55.7	55.8
CBU foreign assets/reserve money (in percent) 1/	96.0	97.0	91.5	97.0	88.8	85.2	82.9	81.9	80.9	80.0
NFA of Central Bank 1/	360.6	396.3	383.2	468.3	468.3	479.8	497.4	525.1	554.6	585.4
NFA of commercial banks	59.7	91.1	133.5	154.7	336.6	459.5	541.5	616.5	681.9	735.5
M2 velocity (in percent of nonhydrocarbon GDP)	0.9	0.8	0.7	0.74	0.75	0.75	0.75	0.7	0.7	0.7
Private sector credit (in percent of nonhydrocarbor	98.7	97.5	106.4	99.5	96.0	94.1	93.7	93.5	93.5	93.5
				(Changes in percent; unless otherwise indicated)						
Claims on private sector	4.0	0.6	-2.6	1.5	7.3	5.2	5.6	5.9	6.2	6.3
Broad money (M2)	2.5	8.0	4.6	5.8	9.2	6.8	6.5	6.8	6.9	6.7
Money	-1.4	6.1	16.5	17.3	9.2	6.8	6.5	6.8	6.9	6.7
Quasi Money	5.0	9.2	-2.2	-2.0	9.2	6.8	6.5	6.8	6.9	6.7
Velocity (nonhydrocarbon GDP/M2)	0.9	0.8	0.7	0.74	0.75	0.8	0.7	0.7	0.7	0.7
Base money	0.6	7.9	4.4	13.2	9.2	6.8	6.5	6.8	6.9	6.7
Money multiplier (M2/base money)	3.4	3.5	3.5	3.2	3.2	3.2	3.2	3.2	3.2	3.2

Sources: Central Bank of the UAE, and IMF staff estimates and projections.

1/ Including the SDR allocation of SDR 2.2 billion.

Table 5. United Arab Emirates: Maturing Bonds, Syndicated and Bilateral Loans in the Non-Financial Public Sector (as of November 2022) 1/ 2/

(In millions of U.S. dollars)

	Debt Type	2022	2023	2024	2025	2026	2027	Beyond	Total
Abu Dhabi					**Government**				
Government	Bonds	3,000	2,000	3,000	3,000	2,500	4,000	25,000	42,500
	Loans	67	67	67	67	0	0	0	270
	Guarantees	127	101	101	-	-	-	1,201	1,529
	Total	3,195	2,168	3,168	3,067	2,500	4,000	26,201	44,299
In percent of Abu Dhabi GDP		1.0	0.7	1.0	1.0	0.7	1.1		
					Government Related Enterprises (GREs)				
Non-bank GREs with >50% government ownership,	Bonds	215	1,250	1,849	2,650	2,377	1,325	27,646	37,311
including subsidiaries debt guaranteed by parent GRE	Loans	11,630	9,831	8,029	5,330	5,241	2,970	6,741	49,773
	Total	11,845	11,081	9,878	7,980	7,618	4,295	34,387	87,084
Government plus non-bank GREs (>50% gov't ownership)		15,040	13,249	13,047	11,047	10,118	8,295	60,588	131,383
In percent of Abu Dhabi GDP		4.7	4.3	4.2	3.4	3.0	2.4		
Memorandum items:									
All Abu Dhabi GREs: bonds and loans		14,486	14,256	14,223	10,815	10,302	6,631	42,440	113,153
Government-owned banks: bonds and loans		2,641	3,175	4,345	2,835	2,684	2,336	8,053	26,069
Dubai					**Government**				
Government	Bonds	650	11,000	10,400	569	0	0	3,250	25,869
	Loans	731	411	411	411	319	319	12,473	15,074
	Guarantees /4	212	3,111	65	-	-	-	14,795	18,183
	Total	1,593	14,522	10,876	980	319	319	30,518	59,126
					Government Related Enterprises (GREs)				
Non-bank GREs with >50% government ownership,	Bonds	535	1,700	2,000	2,312	2,225	1,000	8,753	18,524
including subsidiaries debt guaranteed by parent GRE	Loans	7,121	4,064	2,792	2,227	1,834	1,420	4,926	24,383
	Total	7,657	5,764	4,792	4,538	4,058	2,420	13,679	42,908
Government, other sovereign, and non-bank GREs with >50% government ownership 3/		9,249	20,286	15,667	5,518	4,377	2,739	74,271	132,107
In percent of Dubai GDP		7.3	15.0	10.9	3.6	2.7	1.6		
Memorandum items:									
All Dubai GREs: bonds and loans		11,540	9,800	6,398	7,862	8,764	4,820	18,099	67,283
Government owned banks: bonds and loans		3,883	4,036	1,607	3,323	4,705	2,400	4,420	24,375
Federal Government									
Government	Bonds	0	0	1,021	1,021	0	408	7,000	9,450
	Loans	0	0	0	0	0	0	0	0
	Total	0	2,627	1,021	1,021	0	408	7,000	12,077
GREs with >50% government ownership	Bonds	0	0	500	0	1,628	0	1,201	3,329
	Loans	268	268	268	268	268	161	552	2,055
	Total	268	268	768	268	1,897	161	1,753	5,384
Northern Emirates									
Ras Al Khaimah	All sovereign	0	0	0	1,000	0	0	0	1,000
Sharjah	All sovereign	56	205	148	248	1,148	1,148	5,883	8,838
GREs with >50% government ownership	Bonds & Loans	319	337	253	253	158	158	999	2,477

Sources: Dealogic; Zawya; Bloomberg; Fitch; Abu Dhabi and Dubai authorities; and Fund staff estimates.

1/ Excluding bilateral bank loans and accounts payable, except for the sovereign.

2/ Regardless of residency of debt holders.

3/ Includes sovereign exposure to a majority state-owned bank.

4/ Data from end-2021.

Table 6. United Arab Emirates: Financial Soundness Indicators, 2016-22Q2

(In percent)

	2016	2017	2018	2019	2020	2021	2022Q2
Regulatory Capital to Risk-Weighted Assets	18.9	18.1	17.5	17.7	18.1	17.1	16.9
Regulatory Tier 1 Capital to Risk-Weighted Assets	17.3	16.6	16.2	16.5	17.0	16.0	15.8
Non-performing Loans to Total Gross Loans	4.8	5.0	5.3	6.0	7.6	7.3	6.9
Return on Assets	1.4	1.5	1.5	1.6	0.7	1.2	1.4
Return on Equity	10.5	10.6	10.8	11.0	4.7	8.2	9.8
Interest Margin to Gross Income	68.9	66.5	71.5	67.9	68.5	62.7	64.1
Non-interest Expenses to Gross Income	38.0	39.1	35.9	33.8	37.0	36.4	35.9
Liquid Assets to Total Assets (Liquid Asset Ratio)	13.4	15.1	14.5	15.0	15.3	16.4	15.2
Net Open Position in Foreign Exchange to Capital	8.7	14.6	9.2	-2.5	26.1	24.8	38.9

Source: Central Bank of the United Arab Emirates.

Annex I. Implementation of Past Fund Article IV Advice

Recommendation	Status
Fiscal	
Adopting a transparent, rules-based UAE-wide fiscal framework for the UAE.	In progress.
Conduct a study assessing economic distortions from government fees and exploring alternative revenue models.	In progress. The study on gradual removal of fees is being conducted by the authorities. CIT will be phased-in during 2023—2025.
Further progress in collecting and disseminating fiscal data is needed to strengthen governance.	Not implemented. Information on government guarantees, PPPs, SWFs, GREs' and public sector balance sheets is scarce.
Monetary/Financial	
Continue close monitoring of asset quality, and address legacy NPLs.	In progress. An Advanced Asset Quality Thematic examination was conducted. The CBUAE facilitated the write-offs of some legacy NPLs.
Design stringent stress testing scenarios, including for exposure to GREs.	In progress. Bottom-up stress testing was finalized in 2021. Further enhancements are ongoing.
Maintain prudential limits on bank lending to real estate.	In progress. The observation period of the new Standards for Bank's Real Estate Exposure is ongoing.
Enact reforms in the regulation and supervision of the insurance sector.	In progress. The CBUAE has developed an action plan to achieve full compliance with the IAIS Insurance Core Principle.
Continue to strengthen AML/CFT regime.	In progress. The UAE has delivered several important legislative and institutional reforms. Initiatives should continue.
Develop domestic debt markets.	In progress. The implementation of the new DMF in 2021 provided initial support. Further support came from the issuance of domestic federal debt at a medium-term horizon. Issuance of domestic debt at longer maturity is planned.
Structural	
Bring GREs within the scope of competition laws.	Not implemented.
Harness digital solutions and fintech to foster innovation.	In progress with the launch of the Digital Economy Strategy in April 2022.
Bring government wages and allowances in line with those in the private sector to facilitate Emiratization.	In progress. A new pension plan for non-Emirati employees working in the Dubai government was launched in July 2022, with the scope of expanding into private sector later.
Strengthen the important role of SMEs.	In progress. Recent labor and product market reforms seek to further enhance workers' rights and strengthen family ownership governance and the business environment (in Abu Dhabi).

Recommendation	Status
Building human capital.	In progress. New visa and residency rules introduced in April 2022.
Investing in green energy and future infrastructure.	In progress. The authorities updated the voluntary climate commitment under the Paris Agreement to target a 31 percent reduction in greenhouse gas emissions by 2030.
Statistics	
Produce and publish external statistics.	In progress. Implementation is delayed due to capacity constraints.
Finalize revisions to the CPI basket weights and disseminate CPI series using new weights.	In progress. The authorities are planning to finalize the process by March 2023.
Produce and publish quarterly GDP and national accounts data on timely basis.	In progress. An issue of timeliness still needs to be addressed.

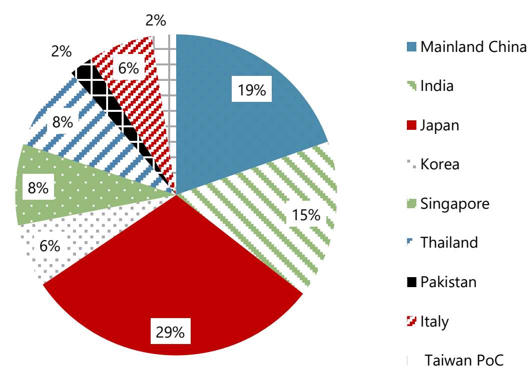
Annex II. Spillovers to the UAE from the Global Economic Slowdown and Russia's War in Ukraine[1]

Direct economic impacts on the UAE from the war in Ukraine have been contained. Going forward, potential economic effects will materialize primarily through new trade patterns, higher commodity prices, and uncertain financial conditions.

1. **Trade and supply chains.** UAE trade links with Russia and Ukraine are limited. The average share of UAE imports from these countries averaged less than 1 percent of total imports over 2019-21. However, import exposure in certain products can be large (e.g., over 80 percent for sunflower oil), while the uncertainties related to the war underscore risks to further supply chain disruptions. New energy export agreements with France, Germany, and Greece are expected to boost UAE exports of natural gas and diesel fuel, opening the door to more diversified export markets for oil and other goods and services.

2. **Commodity prices**. The global inflationary impacts from the war in Ukraine have been felt in the UAE (Annex VI), prompting targeted support to the most vulnerable. This includes a doubling of social welfare spending, the provision of free bread, subsidized housing, trade restrictions on wheat, and price controls on some basic food items. Higher oil prices have benefitted the UAE's fiscal and external positions. However, there is considerable uncertainty over the outlook for oil prices, including from the global economic outlook and potential impacts from the price cap on Russian oil exports, among others, underscoring risks of increased oil price volatility.

UAE: Oil Exports by Destination, 2021



Sources: Bloomberg, IMF.

3. **Global financial risks.** Aggressive monetary tightening by major central banks has boosted global market volatility and tightened financial conditions (GFSR, October 2022). The UAE's traditional safe haven status has attracted inflows of financial assets and businesses, while higher policy rates have lifted banks' profitability. This environment carries both benefits and challenges. Financial inflows facilitate credit and investment to support growth, but higher demand for housing has led to rapid rises in real estate prices and record transactions volumes in certain market segments. Heightened uncertainty over the global economic outlook and policy responses, however, could result in more turbulent domestic financial conditions, leading to capital outflows, lower asset quality, and weaker credit demand (Box 2).

[1] Prepared by Charlotte Sandoz and Tongfang Yuan.

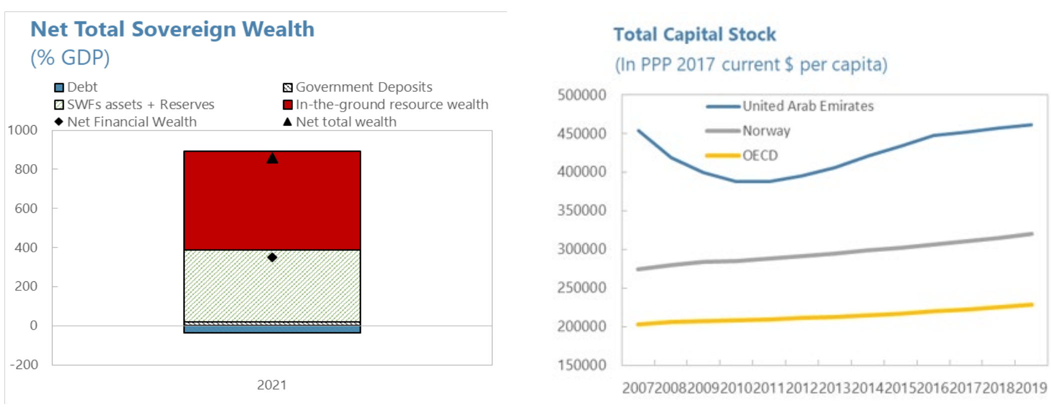
Annex III. Fiscal and Debt Sustainability Assessment[1]

UAE financial wealth is assessed to be sufficient to reach fiscal policy objectives. Adherence to fiscal rules would ensure a prudent use of financial wealth. The analysis suggests that closely aligning fiscal frameworks with the UAE 2050 Strategy objectives would enhance fiscal sustainability and effectiveness. Overall, UAE debt remains sustainable while risks decreased as general government debt in percent of UAE GDP continued a downward trend in 2022 and is expected to decline further with improved oil revenue from higher oil prices, the introduction of a CIT, higher non-hydrocarbon growth, and a sound debt management strategy. Close monitoring of fiscal risks in Dubai remains necessary. Lack of complete coverage of public sector data, including detailed information on gross and net public debt and the public sector balance sheet hinders a comprehensive assessment of UAE fiscal sustainability, including the analysis of government contingent liabilities and risks.

A. Long-Term Fiscal Sustainability

1. The UAE pursued countercyclical fiscal policy after the GFC, helping to build large fiscal buffers. The UAE has amassed significant sovereign financial assets, estimated at around 350 percent of GDP in 2021 (comparable only to Norway), while also scaling-up investments in infrastructure (Annex III Figure 1). Maintaining adequate financial (stabilization) buffers should help the UAE to withstand any large and persistent shocks. These buffers also allow for a countercyclical fiscal policy and ample support to the government 2050 Strategy and UAE Green Agenda.

Figure 1. United Arab Emirates: Financial Wealth and Capital Stock

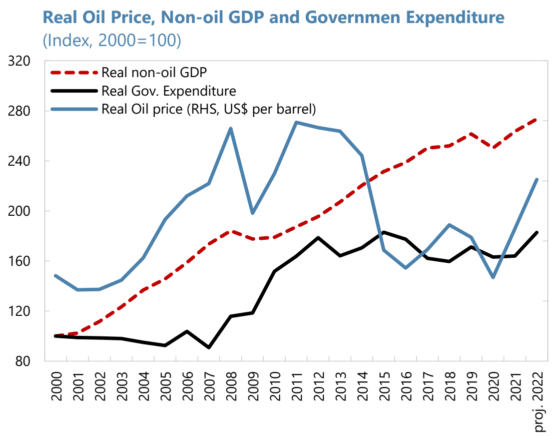


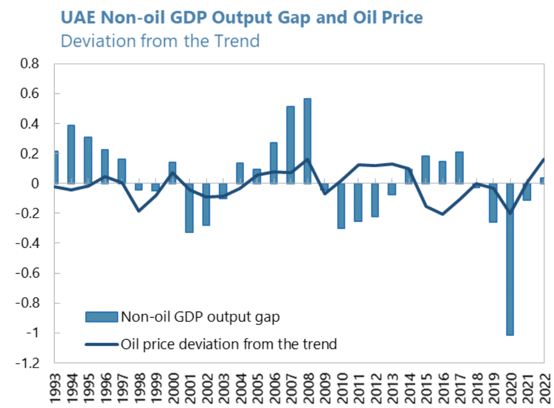
Sources: Bloomberg, Penn World Table 10.0, and IMF staff estimates.
Note: Net financial wealth is estimated based on publicly available information for total assets of CBUAE, UAE SWFs and Developmental Funds, such as Abu Dhabi Investment Authority, Investment Corporation of Dubai, Mubadala Investment Company, Abu Dhabi Developmental Holding Company, Emirates Investment Authority, Sharjah Asset Management, and Fujairah Holding.

2. Reliance on hydrocarbon proceeds, as a source of fiscal revenue and exports, decreased in line with the UAE diversification strategy (Text Charts). Both fiscal and external breakeven prices declined and are expected to remain well below observed oil prices in 2022. This

[1] Prepared by Yevgeniya Korniyenko.

confirms progress with recent fiscal reforms and associated improvements in existing fiscal vulnerabilities to oil price volatility.

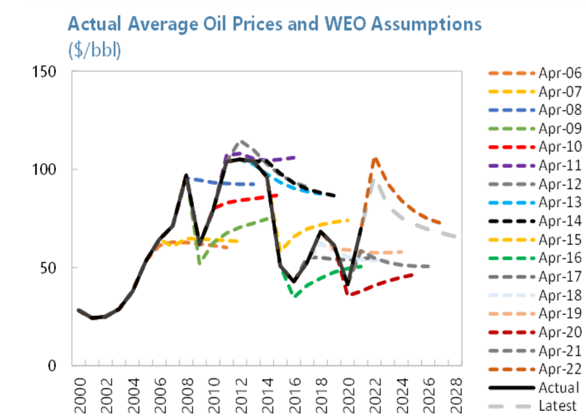




Sources: Country authorities and IMF staff estimates

3. Standard analytical frameworks for defining fiscal anchors confirm that the UAE has fiscal space.[2] The Permanent Income Hypothesis (PIH) framework and the Bird-in-hand (BIH) approach are used to derive different target options for UAE long-term fiscal sustainability. Based on net financial wealth as of 2021, the present value of future oil production, and other long-term macroeconomic assumptions, estimates of four nonhydrocarbon primary balance (NHPB) targets (consistent with different definitions of PIH and BIH) are assessed relative to the staff baseline scenario consistent with the achievement of a 1.8 percent NHPB consolidation over 2022-2027 (Annex III Figure 2). Three out of four models suggest the UAE could sustain current levels of the NHPB over the long-term under current assumptions. The NHPB target under the constant share of non-resource GDP approach, which suggest a much more ambitious long-term anchor, may not be desirable provided significant development and structural policy needs consistent with the UAE 2050 Strategies and Net Zero Emissions objectives.

4. Nevertheless, volatility and unpredictability of oil prices have increased in recent years, reflecting both short-term shocks and uncertainty regarding the speed of global decarbonization in the long-term. Fiscal sustainability analysis reflects uncertainty regarding the path of long-term global demand for fossil fuels by applying a discount to future resource revenues

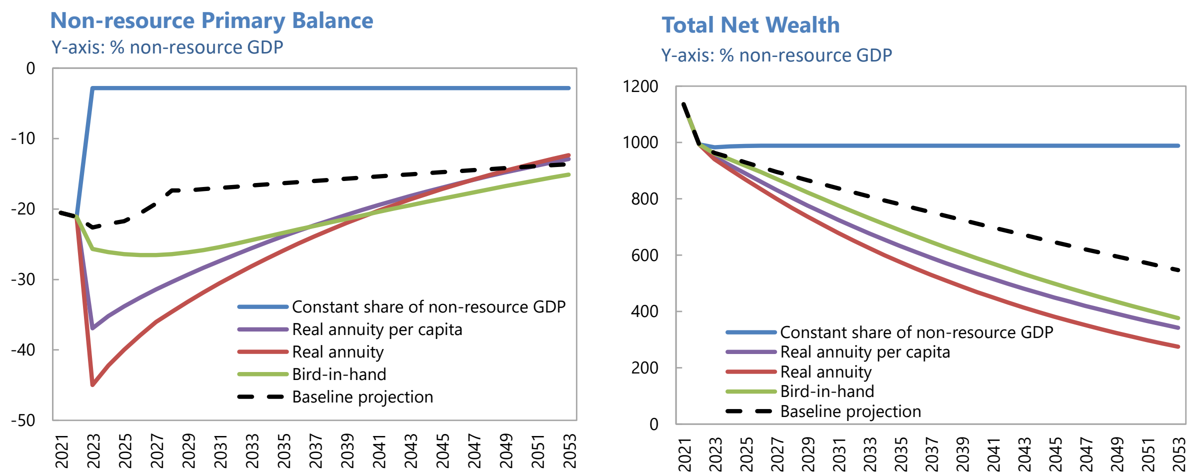


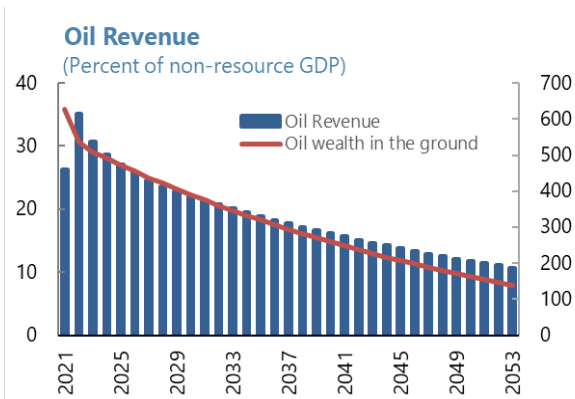
Sources: IMF WEO, Bloomberg, IMF staff estimates.

[2] See Basdevant, Hooley, and Imamoglu, (2021).

(25 percent, Annex III Figure 2). Given decarbonization may proceed faster or slower than expected, prudent fiscal management should continue.

Figure 2. United Arab Emirates: Long-Term Fiscal Sustainability Analysis





Key Assumptions for the Computation of the Fiscal Anchor

	Baseline projection
Real non-resource GDP growth	4.2%
Nominal non-resource GDP growth	6.3%
Population growth	0.7%
GDP deflator inflation	2.0%
US GDP deflator inflation	2.0%
Real interest rate	4.5%
Interest - GDP growth differential	0.3%
Discount applied to resource revenues	25%

Sources: Country authorities and IMF staff estimates.

Note: Constant share of non-resource GDP estimates NHPB target consistent with consumption of a constant share of non-resource GDP overtime. Real annuity and real annuity per capita approaches ensure that NHPB target is constant in real or real per capital terms correspondently. In the Bird-in-hand (BIH) approach, all resource revenues are invested in financial assets and consumption out of resource wealth is equivalent to the interest earned on accumulated financial wealth (i.e., not based on permanent income concepts). Underlying macroeconomic assumptions are in line with the IMF World Economic Outlook (WEO), October 2022. Oil production projection assumes the authorities continue investing in additional capacity and producing slightly below the maximum capacity. This assumption remains constant throughout the assessment horizon. Oil reserves are estimated as of 2021 at 111 billion barrels.[1] Oil price projections are based on the IMF October 2022 WEO forecast until 2027 and it is assumed constant in real terms (i.e., grows in line with US inflation) after 2027.

1/ https://www.opec.org/opec_web/en/about_us/170.htm

5. Large fiscal buffers provide space to respond to shocks. Fiscal buffers were tapped to first respond to the COVID-19 crisis and then provide targeted support to the most vulnerable households to shield them from recent commodity price shocks.

6. Therefore, procyclical fiscal policies should be avoided, and fiscal buffers enhanced further, supported by higher hydrocarbon prices. Sound fiscal rules, enhanced policy frameworks, and tax policies can further support fiscal policy goals, along with improvements in public investment management and reform of subsidies. Fiscal transparency and good governance (including cross-emirate fiscal coordination and data sharing) are essential for ensuring efficient use of accumulated financial wealth while reaching higher long-term productivity and growth objectives and greening the economy.[3]

7. Medium-term fiscal policy needs to be set in coordination with other policy objectives. In deciding on the level of the NHPB, it will also be important to account for other developmental and structural policy objectives set in the UAE 2050 Strategies, while assessing the absorption capacity of the economy. Fiscal policy needs to be carefully coordinated with the Dirham Monetary Framework to guarantee stability and facilitate growth and energy transition.

Box 1. United Arab Emirates: Fiscal Sustainability and Energy Transition

The UAE announced a Net Zero by 2050 Strategic Initiative in October 2021. The UAE was the first country in the Middle East and North Africa (MENA) region to announce the intention to achieve net zero emissions by 2050. In September 2022, the UAE enhanced its voluntary climate commitment under the Paris Agreement to target a 31 percent reduction in greenhouse gas emissions by 2030 (up from 23.5 percent announced previously). The plan requires an investment of AED 600 billion (USD 163 bn, or 52.1 percent of 2021 nonhydrocarbon GDP) in clean energy and renewables, efforts to modernize infrastructure capable to support energy transition, and increased energy efficiency to reduce energy demand. The UAE's current balanced approach to energy transition, which maintains investments in traditional energy markets while increasing investments in greening fossil fuel extraction processes and renewables, should deliver desirable results while ensuring energy security.

Despite the UAE's agile approach to energy transition, the costs are large, and the implementation need is urgent. The UAE Energy Strategy 2050 seeks to bring the contribution of clean energy in the total energy mix from 25 percent to 50 percent by 2050, reduce the UAE's carbon footprint of power generation by 70 percent, and reduce final energy demand by 40 percent.[1] To deliver on these commitments, the government is working on the UAE Pathway (launched at COP27), which envisages participation of both private and public sectors. The highest contributions to reduction of carbon dioxide are expected to come from the electricity generation sector (66.4 percent), industry (16.6 percent), transport (9.7 percent), carbon capture, utilization, and storage (5.3 percent), and waste (2.1 percent). The intention is to prioritize low- or zero-carbon investments in projects that have a strong business case, those that require long-term implementation, and the sectors with the highest emissions and highest energy intensity. Financing needs are to be met jointly with the private sector.

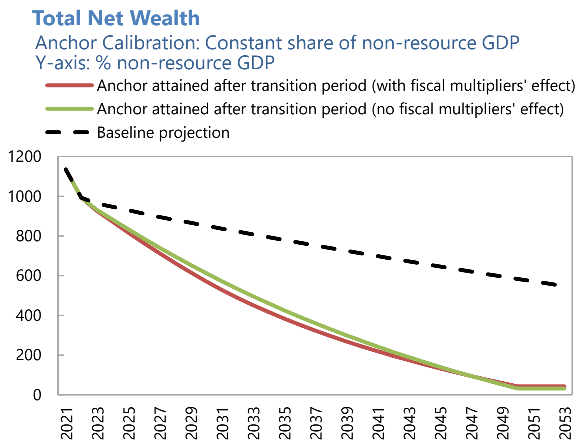
Accelerating energy transition will put additional pressures on public finances. Frontloading investments in adaptation and mitigation would mean higher non-hydrocarbon primary deficits, everything else equal, during the transition period, resulting in lower net public financial wealth (Text Charts). Alternative financing strategies

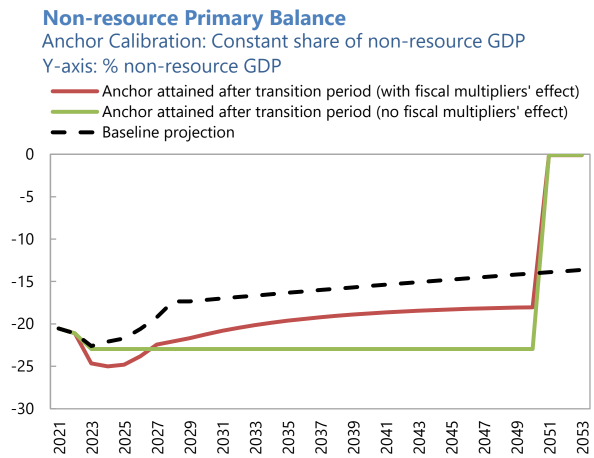
[1] These targets are being revised up by the authorities in line with more ambitious NDCs.

[3] As discussed in the April 2015 Fiscal Monitor, fiscal policies that reduce output volatility could have the added benefit of increasing long-term growth.

Box 1. United Arab Emirates: Fiscal Sustainability and Energy Transition (continued)

(including relying more on green and sustainable private finance) would help to preserve net public financial wealth (2022 SIP Chapter 3). Mainstreaming private sector green finance and alternative and supporting policy options for meeting emissions goals, as well as appropriate design of these policies, could mitigate impacts on public finances.





Sources: Country authorities and IMF staff estimates.
Note: Constant share of non-resource GDP estimates NHPB target consistent with consumption of a constant share of non-resource GDP overtime. The alternative scenario (green and red lines) shown on the charts assumes additional AED 600 bn investments in renewables by 2050 that are financed by exhausting existing public financial wealth, while the NHPB adjustment is postponed to 2050. No growth benefits beyond the fiscal multiplier effects are assumed.

Tax policies, gradual removal of subsidies, and more efficient and green public investment management frameworks could further support government efforts to ensure macroeconomic sustainability and meet energy transition challenges. The IMF Carbon Pricing Assessment Tool (CPAT)[2] shows that the UAE may need an additional investment in renewables by 2030 to stay on track to achieve net zero emissions by 2050. As such, the implementation of the Net Zero Initiative could also be achieved by a combination of policies, such as a gradual removal of energy subsidies, the introduction of green PFM, Climate-PIMA (including budget tagging system), and consideration of climate taxation. A carbon tax and emission trading system would be the most efficient (in addition to investment in renewables) in reducing emissions compared to other instruments (Text Charts). An estimated Carbon tax (or ETS emissions price) in the order of $75 per ton by 2030 would be consistent with UAE's intermediate emissions objectives, in the absence of other mitigation measures. However, energy subsidy and price reforms would also help to bring electricity and gas prices in line with market prices, reduce fiscal burdens by better targeting subsidies to the most vulnerable, and lower energy demand.[3]

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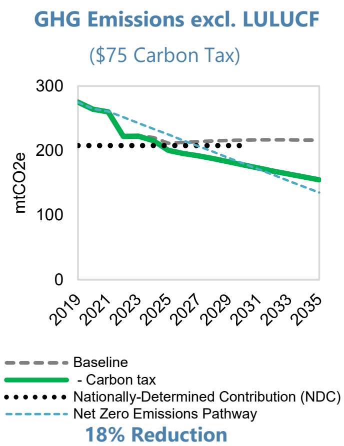
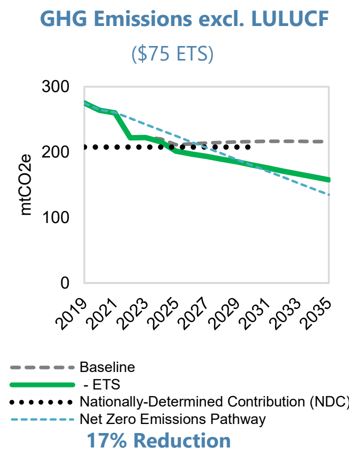
[2] Simon Black, Victor Mylonas, Ian Parry, Nate Vernon, and Karlygash Zhunussova, 2022, "Climate Policy Assessment Tool (CPAT): A Tool To Help Countries Mitigate Climate Change", IMF forthcoming.

[3] Subsidizing the consumption of fossil fuel has significant negative externalities that can be captured in estimates of the implicit and explicit cost of subsidies Fossil Fuel Subsidies (imf.org).

Box 1. United Arab Emirates: Fiscal Sustainability and Energy Transition (concluded)





Sources: IMF CPAT tool and IMF staff estimates.

B. Debt Sustainability Assessment

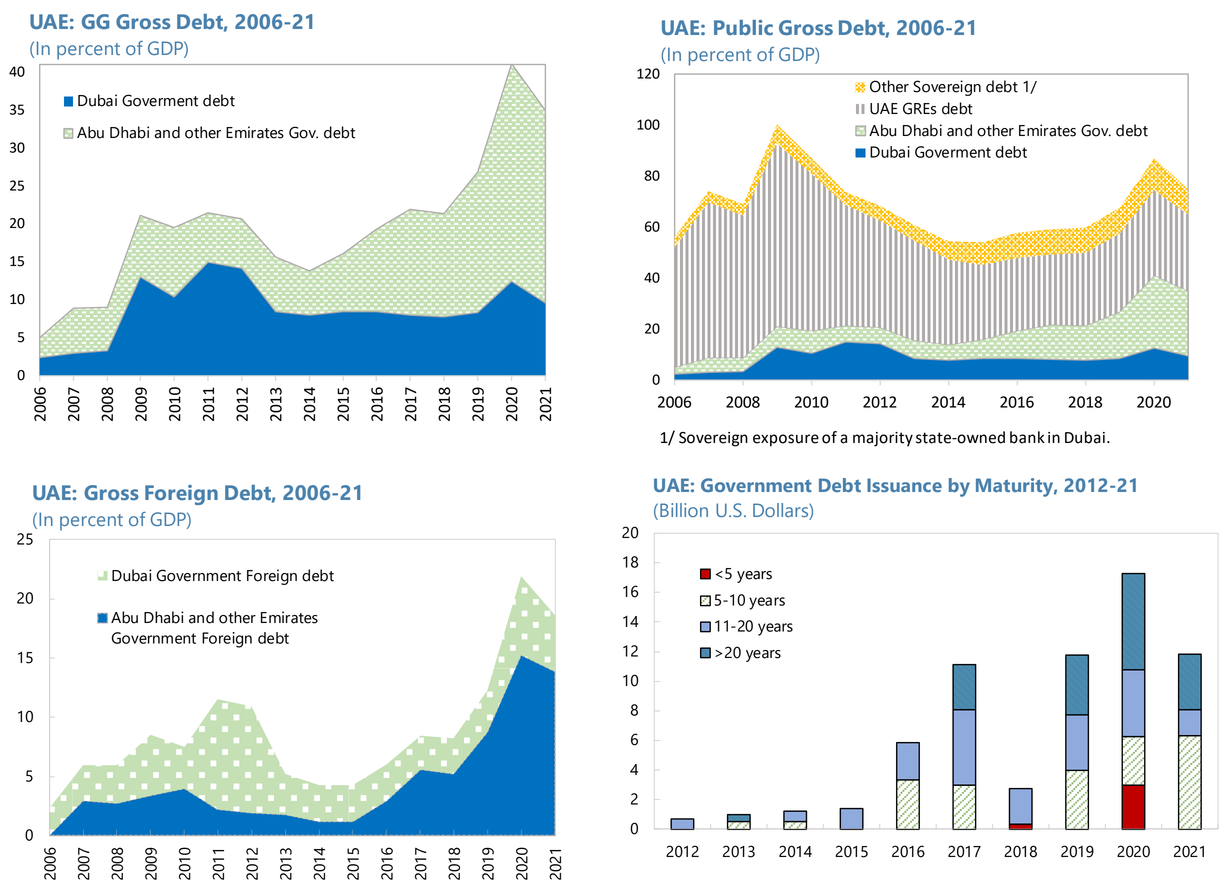
8. General government debt-to-GDP decreased in 2022 to an estimated 30.2 percent of GDP, as oil prices surged while non-hydrocarbon sector GDP growth improved. Both Abu Dhabi and Dubai debt decreased from their peaks of 26.7 and 12.4 percent of UAE GDP in 2020 to an estimated 18.6 and 7.9 percent of UAE GDP in 2022, respectively. The share of foreign debt increased further between 2020-2022 by 2.4 p.p. to an estimated 55.8 percent of total UAE debt in 2022. The decrease in maturity of the overall debt profile in 2022 is explained by Federal government issuance of local currency debt of shorter maturities, as the authorities continue to further develop the dirham yield curve.

9. The UAE federal government successfully issued its first local currency debt in May 2022, raising AED 1.5 billion. The issuance is part of the AED 9 billion T-bonds issuance program for 2022. The launch of the local currency T-bond program (and further issuances) was met with strong demand and spread across two tranches, with a final allocation of AED 750 million for the two years tranche, and AED 750 million for the three years tranche. The proceeds were placed with the CBUAE as highly liquid assets. In July 2022, the UAE has also issued USD 3 billion in USD denominated bonds with maturities dating in 2032 and 2052. The T-bonds gave conventional banks an option to invest their liquidity; however, Islamic banks cannot benefit from this option. As of December 2022, the UAE federal government debt stood at 1.9 percent of GDP.

10. The debt burden in Dubai has decreased. The combination of fiscal prudence, increased economic activity due to Expo 2020, positive spillovers from FIFA World Cup in Qatar, and the base effect of higher nominal GDP contributed to a decrease in Dubai government debt (including guarantees) to 7.9 percent of UAE GDP in 2022 from its peak of 12.4 percent of UAE GDP in 2020.

Nevertheless, in the short to medium term, there are large financing needs resulting from the expected repayment of $20 billion by the Dubai Government.[4]

Debt Developments



Sources: Country authorities, Dealogic, and IMF staff calculations.

11. Contingent liabilities continue to boost sovereign debt burdens, particularly in Dubai. In assessing debt sustainability for the UAE more broadly, the debt of majority state-owned non-bank GREs is taken into consideration and estimated at 25.3 percent of GDP in 2022.[5] Including GREs' debt exposures brings UAE gross public debt to 55.5 percent of GDP in 2022, down by 19 p.p. of GDP since 2020, of which, Abu Dhabi's debt is about 34.3 percent of UAE GDP, and Dubai's debt is 17.5 percent of UAE GDP. For Dubai, once a contingent liability from a majority state-owned bank is taken into consideration, its debt ratio increases to 23.4 percent of UAE GDP. The UAE's

[4] Original obligation of the Dubai Financial Support Fund (DFSF) which was previously capitalized by the government of Abu Dhabi and the CBUAE. This $20 billion in DFSF financing was refinanced in 2014, and in 2018-19.

[5] A detailed discussion of GREs' contingent liabilities risks is presented in the UAE AIV 2021, Annex III Box I.

substantial sovereign foreign assets mitigate risks and should also be considered; however, official data are unavailable for a more comprehensive debt sustainability analysis.[6]

12. General government debt will continue to decline gradually over the medium term with improved fiscal prospects from higher oil prices and GDP growth. Abu Dhabi is assumed to save a large part of the projected higher hydrocarbon revenue, while accelerating implementation of Abu Dhabi Vision 2030 that will boost nonhydrocarbon growth. Dubai, however, is expected to continue borrowing to keep rolling-over debt amassed prior to 2020 to finance ongoing diversification of its growth model. The increased borrowing will be partly offset by higher GDP growth.

13. The overall debt sustainability risks have decreased, but oil price volatility and contingent liabilities from GREs remain the main sources of vulnerability. The UAE's substantial fiscal buffers remain sufficient against these risks; nevertheless, the urgency of strengthening risk monitoring and management of government contingent liabilities risks, including from GREs and PPPs, has increased after the COVID-19 crisis (Annex III Box I, UAE 2021 AIV). Collecting regular and timely information for fiscal risk analysis—with formal reporting requirements for guarantees, GREs and PPPs—and enhancing mechanisms to improve control over contingent liabilities remains a priority. Requiring approval of GREs' annual borrowing and investment plans by finance authorities; setting up predictable dividend payout rules; establishing clear criteria (based on credit risk assessments) for issuance of guarantees; and putting in place guidelines for allocation of risks in private-public partnerships (PPPs) while setting up PPPs monitoring mechanism will enhance public risks management strategy. In the medium term, consideration should be given to incorporating operations of GREs and SWFs in overall fiscal targets as this would promote greater fiscal discipline and transparency.

[6] The IMF estimates that in 2021 the UAE public sector assets, estimated as a sum of Abu Dhabi Investment Authority, Investment Corporation of Dubai, Mubadala Investment Company, Abu Dhabi Development Holding Company, Emirates Investment Authority, Sharjah Asset Management, and Fujairah gross assets stood at about 342 percent of GDP.

Figure 3. General Government Debt Sustainability Analysis – Baseline Scenario

(Percent of GDP unless otherwise indicated)

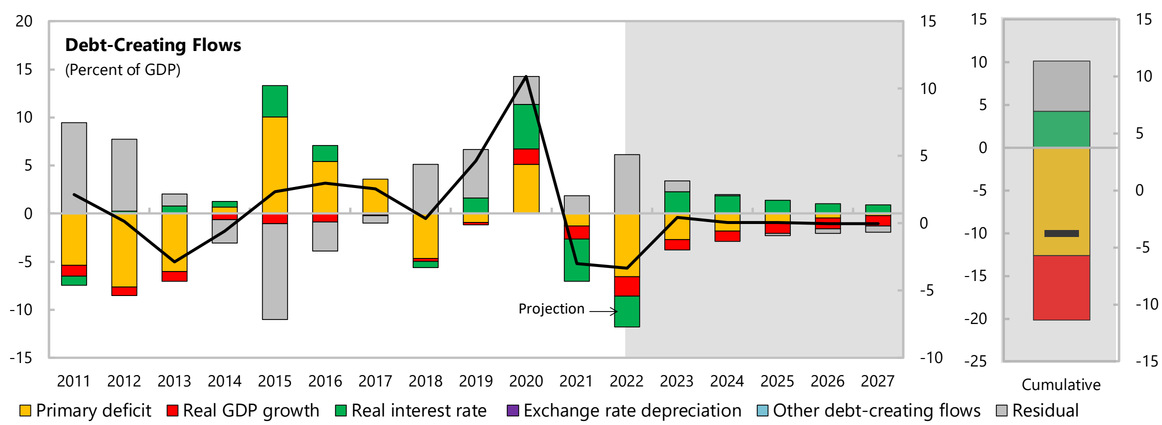
Debt, Economic and Market Indicators

	Actual			Projections					
	2011-2019 [1/]	2020	2021	2022	2023	2024	2025	2026	2027
Nominal gross government debt	19.7	41.1	35.9	30.2	29.8	28.9	28.0	26.9	25.9
Government gross financing needs	0.1	7.4	1.2	-4.4	1.5	2.1	-0.7	-0.2	0.5
Real GDP growth (in percent)	4.0	-5.0	3.9	6.9	3.6	3.9	4.0	4.2	4.3
Inflation (GDP deflator, in percent)	0.5	-11.6	15.1	13.7	-2.1	-0.4	0.4	0.8	1.0
Nominal GDP growth (in percent)	4.5	-16.4	18.8	22.2	1.3	3.4	4.4	5.0	5.3
Effective interest rate (in percent) 3/	4.6	3.4	3.1	3.8	5.5	6.0	5.4	4.9	4.8

As of December 06, 2022		
Sovereign Spreads		
EMBIG (bp) 2/		48
5Y CDS (bp)		43
Ratings	Foreign	Local
Moody's	Aa2	Aa2
S&Ps	AA	AA
Fitch	AA	AA

Contribution to Changes in Public Debt

	Actual			Projections							
	2011-2019	2020	2021	2022	2023	2024	2025	2026	2027	Cumulative	Debt-stabilizing primary balance 8/
Change in gross government sector debt	0.8	14.3	-5.2	-5.7	-0.4	-0.9	-0.9	-1.0	-1.1	-10.0	
Identified debt-creating flows	-0.5	11.4	-7.0	-11.8	-1.5	-1.1	-0.7	-0.5	-0.4	-15.9	
Primary deficit	-0.6	5.1	-1.3	-6.6	-2.7	-1.8	-0.9	-0.4	-0.2	-12.6	-0.2
Primary (noninterest) revenue and grants	29.1	24.6	26.7	31.8	28.9	27.8	27.1	26.9	26.7	169.1	
Primary (noninterest) expenditure	28.5	29.8	25.3	25.2	26.1	26.0	26.2	26.4	26.5	156.5	
Automatic debt dynamics 4/	0.0	6.2	-5.7	-5.2	1.2	0.7	0.2	-0.1	-0.2	-3.3	
Interest rate/growth differential 5/	0.0	6.2	-5.7	-5.2	1.2	0.7	0.2	-0.1	-0.2	-3.3	
Of which: real interest rate	0.7	4.6	-4.4	-3.2	2.3	1.9	1.4	1.0	0.9	4.2	
Of which: real GDP growth	-0.7	1.6	-1.3	-2.0	-1.1	-1.1	-1.1	-1.1	-1.1	-7.5	
Exchange rate depreciation 6/	0.0	0.0	0.0	…	…	…	…	…	…	…	
Other identified debt-creating flows	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Accumulation of deposits (negative)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Contingent liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Prefunding	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Residual, including asset changes 7/	1.4	2.9	1.9	6.1	1.1	0.1	-0.2	-0.5	-0.7	5.9	



Source: IMF staff calculations.

1/ Based on available data.

2/ Abu Dhabi's Long-term bond spread over U.S. bonds.

3/ Defined as interest payments divided by debt stock (excluding guarantees) at the end of previous year.

4/ Derived as [(r - π(1+g) - g + ae(1+r)]/(1+g+π+gπ)) times previous period debt ratio, with r = interest rate; π = growth rate of GDP deflator; g = real GDP growth rate; a = share of foreign-currency denominated debt; and e = nominal exchange rate depreciation (measured as an increase in the local currency value of U.S. dollar).

5/ The real interest rate contribution is derived from the numerator in footnote 5 as r - π (1+g) and the real growth contribution as -g.

6/ The exchange rate contribution is derived from the numerator in footnote 5 as ae(1+r).

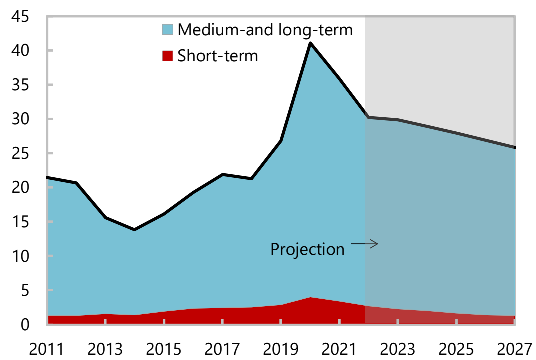
7/ Includes asset changes and interest revenues (if any). For projections, includes exchange rate changes during the projection period.

8/ Assumes that key variables (real GDP growth, real interest rate, and other identified debt-creating flows) remain at the level of the last projection year.

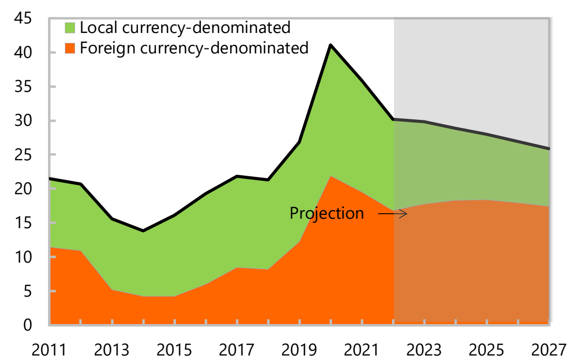
Figure 4. General Government Debt Sustainability Analysis – Composition of Government Debt and Alternative Scenarios

Composition of Government Debt

By Maturity
(Percent of GDP)



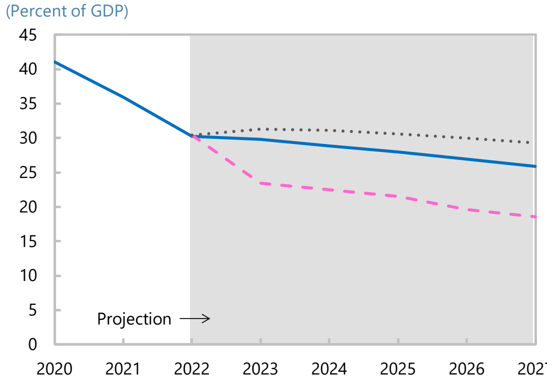
By Currency
(Percent of GDP)



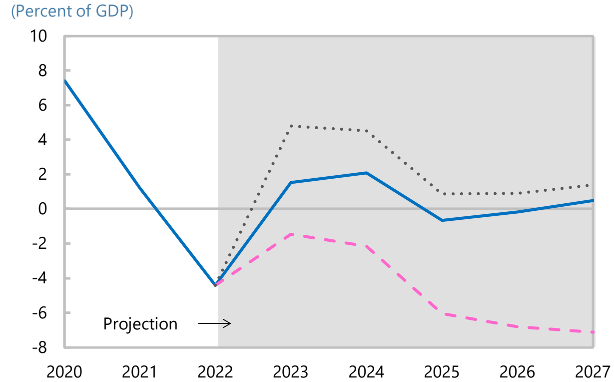
Alternative Scenarios

Baseline — Historical — Constant Primary Balance

Gross Nominal Government Debt
(Percent of GDP)



Government Gross Financing Needs
(Percent of GDP)



Underlying Assumptions
(Percent)

Baseline Scenario	2022	2023	2024	2025	2026	2027
Real GDP growth	6.9	3.6	3.9	4.0	4.2	4.3
Inflation	13.7	-2.1	-0.4	0.4	0.8	1.0
Primary balance	6.6	2.7	1.8	0.9	0.4	0.2
Effective interest rate	3.8	5.5	6.0	5.4	4.9	4.8
Constant Primary Balance Scenario 1/						
Real GDP growth	6.9	3.6	3.9	4.0	4.2	4.3
Inflation	13.7	-2.1	-0.4	0.4	0.8	1.0
Primary balance	6.6	6.6	6.6	6.6	6.6	6.6
Effective interest rate	3.8	5.5	6.0	5.4	4.9	4.8

Historical Scenario 1/	2022	2023	2024	2025	2026	2027
Real GDP growth	6.9	2.8	2.8	2.8	2.8	2.8
Inflation	13.7	-2.1	-0.4	0.4	0.8	1.0
Primary balance	-0.4	-0.4	-0.4	-0.4	-0.4	-0.4
Effective interest rate	3.8	5.5	5.8	5.1	4.5	4.4

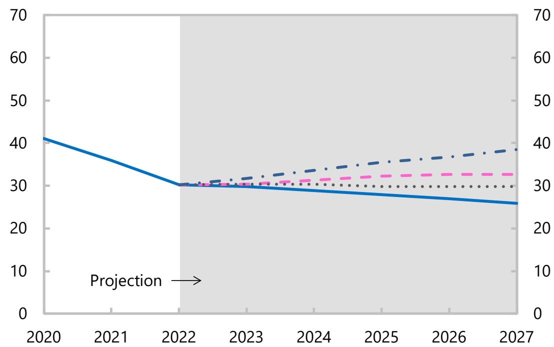
1/ The scenario assumes that no new debt is issued if the gross financing needs are negative.
Source: IMF staff calculations.

Figure 5. General Government Debt Sustainability Analysis – Stress Test Scenarios

Baseline   Oil Price Shock   GRE Contingent Liability   Combined Shock

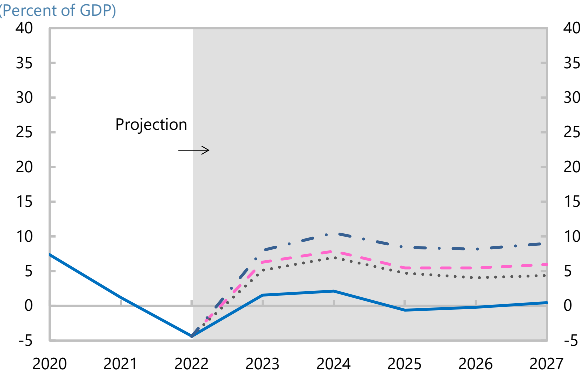
Gross Nominal Government Debt

(Percent of GDP)



Government Gross Financing Needs

(Percent of GDP)



Assumptions

(Percent)

Baseline Scenario

	2022	2023	2024	2025	2026	2027
Real GDP growth	6.9	3.6	3.9	4.0	4.2	4.3
Inflation	13.7	-2.1	-0.4	0.4	0.8	1.0
Primary balance	6.6	2.7	1.8	0.9	0.4	0.2
Effective interest rate	3.8	5.5	6.0	5.4	4.9	4.8

Oil Price Scenario 1/

	2022	2023	2024	2025	2026	2027
Real GDP growth	6.9	0.1	0.4	0.6	0.7	0.8
Inflation	13.7	-2.1	-0.4	0.4	0.8	1.0
Primary balance	6.6	0.5	-0.5	-1.4	-1.8	-2.1
Effective interest rate	3.8	5.5	6.0	5.4	4.9	4.8

GRE Contingent Liability Scenario 2/

	2022	2023	2024	2025	2026	2027
Real GDP growth	6.9	3.6	3.9	4.0	4.2	4.3
Inflation	13.7	-2.1	-0.4	0.4	0.8	1.0
Primary balance	6.6	1.6	0.1	-0.9	-0.9	-1.0
Effective interest rate	3.8	6.0	7.0	6.9	6.3	6.2

Combined Scenario 3/

	2022	2023	2024	2025	2026	2027
Real GDP growth	6.9	0.1	0.4	0.6	0.7	0.8
Inflation	13.7	-3.0	-1.3	-0.5	-0.1	0.1
Primary balance	6.6	-0.6	-2.1	-3.2	-3.2	-3.2
Effective interest rate	3.8	6.0	7.0	6.9	6.3	6.2

1/ Oil price is lower by $10 in 2022-26.
2/ 20 percent of GRE debt is assumed to be taken over by the government in 2022-26.
3/ This scenario combines the oil price and the GRE contingent liability scenarios.

Source: IMF staff calculations.

Annex IV. External Sector Assessment[1]

Overall Assessment: *The external position in 2022 is estimated to be broadly in line with the level implied by medium-term fundamentals and desirable policies. Supported by central bank reserves and substantial SWFs' assets, the external balance sheet remains strong. The current account is expected to remain elevated in 2022 with high oil prices and revenues. However, the projected current account balance over the medium term is somewhat below the level needed to ensure sufficient saving for future generations. Data gaps hinder a more comprehensive external sector assessment.*

Potential Policy Responses: *Given the current oil outlook, fiscal discipline to manage oil windfalls and consolidation within a transparent medium-term framework could bring the current account balance closer to the level required for intergenerational equity. Structural reforms to diversify the economy could also help strengthen the external position.*

Foreign Assets and Liabilities: Position and Trajectory

Background. The UAE does not report International Investment Position data. Net International Investment Position (NIIP) is estimated at $673.9 billion (162.4 percent of GDP) at end-2021. NIIP is expected to increase to $740.0 billion (145.9 percent of GDP) by end-2022 because of stronger growth of foreign assets.

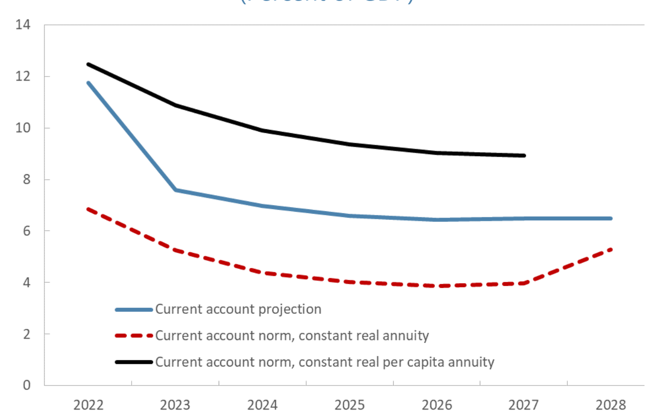
Assessment. The external balance sheet is strong and NIIP is expected to remain strong over the medium term. Substantial accumulated assets represent both protection against vulnerabilities from oil price volatility and savings of exhaustible resource revenues for future generations.

2022 (% GDP)	NIIP: 145.9	Gross Assets: 231.2	Debt Assets: 25.2	Gross Liab.: 85.3	Debt Liab.: 85.3

Current Account

Background. The current account is expected to increase from 11.6 percent of GDP in 2021 to 11.7 percent of GDP in 2022 as oil revenues continue to increase – oil production is estimated to grow by 15 percent on average in 2022, and average oil export prices increased by about 40 percent in 2022 compared to 2021 (the terms of trade are expected to improve by 6.6 percent in 2022).[1] Net Services are expected to grow by about 25 percent in 2022 with strong activity in the tourism industry and higher transportation costs.

Consumption Allocation Rules: CA Norms vs. Projections
(Percent of GDP)



Sources: Country authorities; and IMF staff calculations.

Assessment. Given the UAE's oil-dependent economic structure and the rise in oil prices in 2022, the Consumption Allocation Rules[2] (on a per-capita basis) based on the PIH continues to serve as staff's primary anchor for external sector assessment. The Consumption Allocation Rules suggest a CA gap of 4.9 percent of GDP for the constant real annuity and -0.7 percent of GDP for the constant real per capita annuity allocation rules, respectively.[3] The CA balance is projected to be lower than the CA norm over the medium term. The CA-regression approach estimates a CA gap of -0.7 percent of GDP. On balance, staff assesses a CA gap of -0.7 percent of GDP with a range from -1.9 to 0.5 percent of GDP in 2022.[4]

[1] Prepared by Charlotte Sandoz.

Model Estimates for 2022
(In percent of GDP)

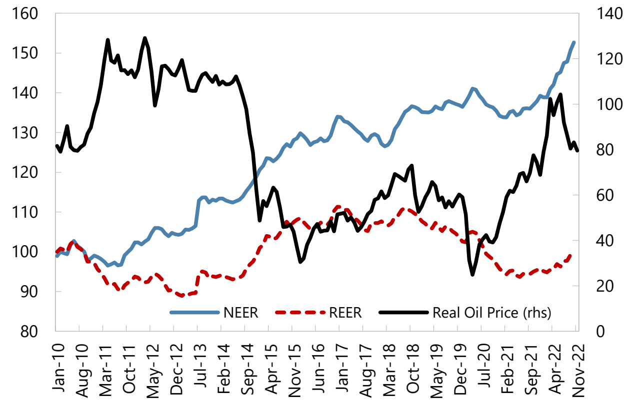
	Adjusted CA	CA gap	Policy gap	CA norm
EBA Lite CA approach	11.6	-0.7	6.2	12.2
Constant annuity in real terms		4.9		6.9
Constant annuity in real per capita terms		-0.7		12.5

Real Exchange Rate

Background. The dirham has been pegged to the US dollar at a rate of 3.6725 since November 1997. As of end-November 2022, the REER appreciated by 2.5 percent on average, while NEER appreciated by 10.0 percent.

Assessment. Consistent with the staff CA gap and based on an elasticity of 0.66, staff assesses the REER to be overvalued by about 1.0 percent with a range of -0.8 to 2.9 percent. Exchange rate movements have a limited impact on competitiveness in the short run as oil is the main exported product and there is limited substitutability between imports and domestically produced products.

Nominal and Real Effective Exchange Rates, 2010-2022
(Index; 2010=100)



Sources: Country authorities; IMF staff calculations.

Capital and Financial Accounts: Flows and Policy Measures

Background. Net FDI are expected to turn positive from USD -1.9 billion in 2021 to 0.6 billion in 2022 supported by new bilateral agreements to protect and encourage investments into the UAE. Since oil windfalls are mostly kept abroad, commercial banks net outflows are expected to be almost 8 times higher than in 2021 (from USD 5.8 billion in 2021 to USD 45.1 billion in 2022).

Assessment. The UAE has an open capital account. The large central bank reserves and SWFs' assets limit risks and vulnerabilities from capital flows. A lack of detailed information on capital flows, and data gaps on GREs and SWFs activities, complicates analysis of the financial account and hinders a more comprehensive assessment.

FX Intervention and Reserves Level

Background. The central bank buys and sells unlimited dollars and dirhams to registered counterparties at the official exchange rate to maintain the peg. Gross FX reserves are expected to remain around USD 130 billion (25.2 percent of GDP, 7.2 months of imports and 74 percent of the Fund's reserve adequacy metric) at end-2022. Reserves are expected to slightly increase over the medium term as non-oil exports pick up.

Assessment. Reserves play a dual role of buffers for precautionary motives and savings for future generations. Reserves are adequate for precautionary purposes (measured by the Fund's metrics). Fiscal consolidation is warranted over the medium term to strengthen the external position and increase savings for future generations.

[1] The average oil export price is assumed to be USD 99.6 a barrel in 2022 (USD 70.8 a barrel in 2021).
[2] See Bems, R., and I. de Carvalho Filho, 2009, "Exchange Rate Assessments: Methodologies for Oil-Exporting Countries," IMF Working Paper 09/281.
[3] Estimated norms are sensitive to model parameters, such as the GDP growth rate, interest rate, and population growth rate.
[4] Staff applies an average CA gap range of +/-1.2 percent of GDP for emerging markets.

Annex V. Risk Assessment Matrix[1]

Nature/Source of Main Risks	Likelihood/Time Horizon	Expected Impact on the Economy if Risk is Realized	Policy Response
Global Risks			
Intensifying spillovers from Russia's war in Ukraine. Further sanctions resulting from the war and related uncertainties exacerbate trade and financial disruptions and commodity price volatility.	**High/Short-to-Medium-Term**	***Low*** Direct spillovers on the UAE economy have been limited as direct trade and financial links to Russia and Ukraine are negligible. The initial direct impact mostly via higher oil prices and capital and businesses inflows had a positive impact on growth but added to inflationary pressures.	Temporarily loosen the fiscal stance to accommodate additional targeted spending to shield the most vulnerable households from increased costs of living, while avoiding broad-based price support schemes. Prepare and communicate future consolidation measures to rebuilt fiscal buffers. Continue encouraging access to cheaper suppliers and new markets to contain price increases. Advance structural reforms to enhance competitiveness, facilitate import substitution, and to diversify the economy. Monitor and mitigate the impact of tighter global financial conditions on the public balance sheets and the financial sector.
Commodity price shocks. A combination of continuing supply disruptions (e.g., due to conflicts and export restrictions) and negative demand shocks causes recurrent commodity price volatility.	**High/Short-to-Medium-Term**	***High*** A higher oil prices would further improve UAE fiscal and external positions and lead to higher liquidity within the financial system. Higher hydrocarbon GDP growth will positively impact nonhydrocarbon GDP. While lower oil prices would lead to negative spillovers in the non-hydrocarbon sector. Higher commodity prices would add to inflationary pressures.	Continue adhering to fiscal rules and replenish fiscal buffers. Fiscal structural reforms to improve fiscal sustainability and reduce reliance on hydrocarbon revenue should be advanced. Targeted fiscal support to the most vulnerable should be revisited as commodity prices' cycle reverse. The CBUAE should continue monetary tightening in line with Fed and close monitoring of domestic liquidity conditions according to the new Dirham Monetary Framework. Continue structural reforms to boost nonhydrocarbon growth and diversification, while encouraging policies to ensure a smooth transition to a greener economy, deeper capital markets, and adoption of productivity enhancing technology, fintech, and digitalization.
De-anchoring of inflation expectations and stagflation. Supply shocks to food and energy prices sharply increase headline inflation and pass through to core inflation, de-anchoring inflation expectations and triggering a wage-price spiral in tight labor markets. Central banks tighten monetary policy more than envisaged leading to weaker global demand, currency	**Medium/Short-to-Medium-Term**	***Medium*** Tighter global financial market conditions could affect the UAE's ability (both government and GREs) to refinance their outstanding debt obligations, creating financial disruptions. While a global growth slowdown could adversely impact UAE trade in goods and services and have a knock-on effect on commodity prices.	Carefully calibrate fiscal policy and limit new debt accumulation; strengthen management of fiscal risks and oversight of GREs. Continue close monitoring of financial system risks.

[1] The Risk Assessment Matrix (RAM) shows events that could materially alter the baseline path (the scenario most likely to materialize in the view of IMF staff). The relative likelihood of risks listed is the staff's subjective assessment of the risks surrounding the baseline ("low" is meant to indicate a probability below 10 percent, "medium" a probability between 10 and 30 percent, and "high" a probability between 30 and 50 percent). The RAM reflects staff views on the source of risks and overall level of concern as of the time of discussions with the authorities. Non-mutually exclusive risks may interact and materialize jointly.

Nature/Source of Main Risks	Likelihood/Time Horizon	Expected Impact on the Economy if Risk is Realized	Policy Response
Global Risks			
Abrupt global slowdown or recession. Global and idiosyncratic risk factors combine to cause a synchronized sharp growth slowdown, with outright recessions in some countries, spillovers through trade and financial channels, and downward pressures on some commodity prices.	**Medium-to-High/Short-to-Medium-Term**	***Medium/Low*** Abrupt growth slowdown in Europe and China would adversely affect the UAE through supply chain disruptions, trade, including tourist arrivals, commodity-price, and financial channels.	Temporarily loosen the fiscal stance to accommodate additional targeted spending to shield the most vulnerable. Continue ensuring stability of the financial system. Accelerate structural reforms to boost nonhydrocarbon growth and diversification. Improve social safety net programs to better target most vulnerable populations.
Natural disasters related to climate change. More frequent natural disasters deal severe damage to infrastructure and amplify supply chain disruptions and inflationary pressures, causing water and food shortages and reducing medium-term growth.	**Medium/Short-to-Medium-Term**	***Medium/Low*** Natural disasters related to extreme weather events could damage infrastructure, disrupt trade, and reduce demand and employment, adding to fiscal burden through additional capital expenditure and transfers.	Scale up investments for adaptation projects, climate resilient infrastructure, and in renewables. Fully incorporate climate risks in prudential policies and financial sector assessments. Improve social safety net programs to better target the most vulnerable populations. Continue to save windfall revenue and pursue fiscal structural reforms to improve fiscal sustainability and reduce reliance on hydrocarbon revenue.
Cyberthreats Cyberattacks on critical physical or digital infrastructure (including digital currency platforms) trigger financial instability or widespread disruptions in socio-economic activities.	**Medium/Short-to-Medium-Term**	***Medium/Low*** As the UAE become more digitalized, cyberattacks could significantly impair the functioning of the financial system, with a broader fallout on the economy.	Continue progress towards integrating the analysis of cybersecurity risks into the CBUAE and freezone frameworks. Continue the enhancement of cyber risk mitigation through appropriate supervision of the financial system.

Annex VI. Inflation Dynamics in the UAE[1]

Inflation in the UAE has remained relatively stable over the past decade. However, inflation has picked up since the end of 2021, mainly due to an increase in food and transport prices. An empirical analysis to study the drivers of inflation suggests that inflation abroad is one of the main determinants of inflation dynamics in the UAE. Since the reforms of fossil fuel subsidies in 2015, positive correlations between international oil prices and retail prices of gasoline and diesel have been observed, and a stronger pass-through of international oil prices into domestic inflation is expected.

1. Inflation has remained relatively stable over the past decade despite challenges posed by fluctuations in international commodity prices. Since 2009, inflation has been less than or around 3 percent a year except in 2015 because of the reforms of fossil fuel subsidies. Given that the UAE is mostly relying on fiscal policies and changes in exchange rates do not affect the volume of overall exports,[2] the monetary policy frameworks targeting a stable exchange rate seem to have contributed to stabilizing inflation.

2. The recent increase in inflation seems to be mainly driven by food and transport. Food inflation has increased from -2.4 percent (y/y) in March 2021 to 3.7 percent (y/y) in December 2021. While food inflation has been on an upward trend, it has remained below MENA peers, which can be explained by subsidies on certain food products, stockpiling and exports restrictions of basic food items (e.g., wheat) and low share of food imports in total imports. The transport basket also rose as prices of cars saw a sharp increase internationally during 2022 and transport services, mainly international transport by air and travel by sea, also picked up.

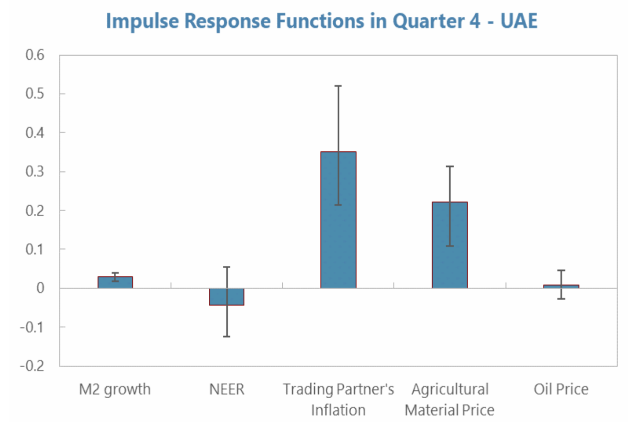
3. Given the high import dependency of the UAE, we use a Global VAR (GVAR) model to investigate the spillover of global inflation to the UAE. The GVAR model incorporates regional and global inflationary pressures as well as domestic factors such as money supply and effective exchange rate. The model consists of 38 countries covering about 90 percent of the world GDP. The GVAR includes five domestic variables for each country (real GDP, inflation, growth of money supply, nominal effective exchange rate (NEER), interest rates), which are endogenous to each economy. Except for the US, a weighted average of trade partner's domestic variables is entered in the model as foreign variables, which are treated as weakly exogenous following Dees et al. (2007). For the US model, we only include foreign CPI and foreign growth of money supply as foreign variables consistent with our weak exogeneity tests. The oil price and the price of agricultural materials are included in the GVAR as global variables endogenous to US foreign variables, but weakly exogenous to all other countries.

[1] Prepared by Charlotte Sandoz, with the assistance of Abolfazl Rezghi.

[2] SAMA, 2016 "Inflation mechanisms, expectations and monetary policy in Saudi Arabia."

4. GVAR estimations indicate that domestic inflation in the UAE is mainly driven by imported inflation from its main trading partners, which has been recently pushed upwards by rising oil and food prices, supply chain disruptions and tensions on the labor market. Results show that an initial 1 percentage point increase in inflation abroad leads to a 0.35 percentage point increase in inflation based on historical data. Given recent global developments—where foreign inflation has been driven up by unusual supply shocks associated with the pandemic, and later on with the war in Ukraine, UAE CPI is expected to be between 0.8 and 1.3 percentage points higher in 2022 in addition to other factors.

Cumulative Impulse Response Functions of UAE Domestic Inflation to Each Individual Shock after a Year (ppt)

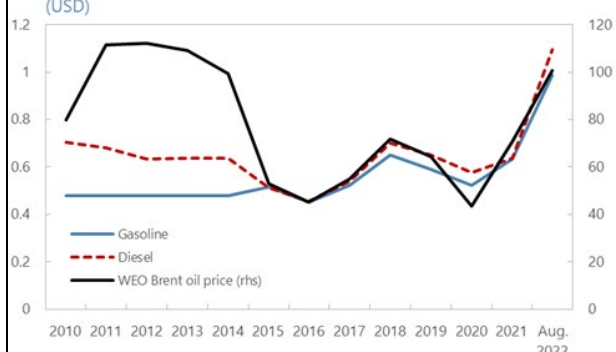


Note: Bars are median generalized impulse responses to a 1 ppt increase in annual inflation abroad, growth of money supply, or a 10 percent increase in oil prices, NEER, and agriculture material prices, together with the 15th and 85th percentile error bands.

Sources: Haver Analytics, IFS, and Bloomberg databases; and IMF staff estimates.

5. A higher pass-through of international oil prices into domestic inflation is expected in the recent years, following the reforms of fossil fuel subsidies in 2015. Positive correlations between international oil prices and retail sales prices of gasoline and diesel have been observed since the reforms of fossil fuel subsidies in 2015 (Text Figure). The UAE's fuel subsidies (i.e., gasoline and diesel) have been removed to ease pressure on the state's budget, and prices are set each month based on global prices. However, diesel prices were frozen by the Fuel Price Committee after the onset of the coronavirus pandemic in 2020. The controls were removed in March 2021 to reflect the movement of the market. In August 2022, the levels are close to the ones observed in G20 countries, and much higher than in other GCC or MENA countries.

Brent Oil Price and UAE Retail Sales Prices of Gasoline and Diesel
(USD)



Sources: globalpetrolprices.com, IMF staff estimates

INTERNATIONAL MONETARY FUND

UNITED ARAB EMIRATES

January 10 , 2023

STAFF REPORT FOR THE 2022 ARTICLE IV CONSULTATION—INFORMATIONAL ANNEX

Prepared By

Middle East and Central Asia Department

CONTENTS

FUND RELATIONS

(As of November 30, 2022)

Financial Position in the Fund for United Arab Emirates as of November 30, 2022

Membership Status: Joined on September 22, 1972; accepted Article VIII status in February 1974

General Resources Account	**SDR Million**	**Percent Quota**
Quota	2,311.20	100.00
Fund holdings of currency	1,710.63	74.01
Reserve tranche position	601.09	26.01

SDR Department	**SDR Million**	**Percent Allocation**
Net cumulative allocation	2,783.59	100.00
Holdings	2,368.84	85.13

Outstanding Purchases and Loans: None

Latest Financial Arrangements: None

Projected Payments to Fund

			Forthcoming		
	2022	**2023**	**2024**	**2025**	**2026**
Charges/interest		11.44	11.48	11.47	11.48
Total		**11.44**	**11.48**	**11.47**	**11.48**

Implementation of HIPC Initiative: Not Applicable

Implementation of Multilateral Debt Relief Initiative (MDRI): Not Applicable

Implementation of Catastrophe Containment and Relief (CCR): Not Applicable

Exchange Arrangement

The UAE's exchange rate arrangement isconventional peg to the U.S. dollar, with the mid-point between the official buying and selling rates fixed at AED 3.6725 = US$1.

The UAE has accepted the obligations of Article VIII, Sections 2, 3, and 4, and maintains an exchange system that is free of restrictions on the making of payments and transfer for current international transactions and multiple currency practices, except for those restrictions for security reasons that have been notified to the Fund, by the authorities, in accordance with Executive Board Decision No. 144 (52/51).

Article IV Consultation

The UAE is on the annual consultation cycle. The 2021 Article IV consultation discussions were held during September 14-28, 2021. The staff report was published on February 17, 2022, and is available at: https://www.imf.org/en/Publications/CR/Issues/2022/02/17/United-Arab-Emirates-2021-Article-IV-Consultation-Press-Release-and-Staff-Report-513265

FSAP Participation, ROSCs, and OFC Assessments

FSAPs were conducted in 2003 and 2007.

Technical Assistance:

STA	Government Finance Statistics	January 2015
FAD	Fiscal Coordination	January 2015
STA	Monetary and Financial Statistics	November 2015
STA	Balance of Payments Statistics	November 2015
STA	National Account Statistics	April 2016
MCM	Bank Liquidity Risk Management and Liquidity Forecasting	March 2017
STA	Business Conditions Survey	March 2017
STA	Monetary and Financial Statistics	April 2017
STA	National Accounts Statistics	October 2017
MCM	Development of Local Currency Domestic Bond Market	November 2017
FAD	Fiscal Risks and Gender Budgeting	February 2018
MCM	Developing Monetary Policy Operations and the Local Currency Government Bond Market	July 2018
STA	Producer Price Index	October 2018
STA	National Accounts	November 2018
FAD	Fiscal Risk Analysis and Management	January 2019
MCM	Systemic Liquidity and Reserve Adequacy	May 2019
FAD	Strengthening Fiscal Risk Analysis and Management	July 2020
STA	National Accounts	September 2020
STA	National Accounts	April 2021
MCM	Liquidity Management and Forecasting	July 2021
MCM	Assessing the Stress Testing Framework of the CBUAE	August 2021
STA	Balance of Payment Statistics	December 2021
STA	Hedonics for Price Indices	January 2022
ICD	Macroeconomic Framework – Central Bank	September 2022

Resident Representative: None

WORLD BANK RELATIONS

(As of December 2022)

The activities of the World Bank Group in United Arab Emirates can be found at:

https://www.worldbank.org/en/country/gcc/brief/united-arab-emirates-country-program/

STATISTICAL ISSUES

(As of December 2022)

I. Assessment of Data Adequacy for Surveillance
General: Data provision has some gaps but remains broadly adequate for surveillance. There are substantial shortcomings on the dissemination of monthly CPI, fiscal statistics and accounts of government-related entities (GREs) and sovereign wealth funds (SWFs) and data on Central Government Debt, the External Debt and International Investment Position (IIP) are not provided. In particular, there is limited data on government sovereign assets and GREs' debt and contingent liabilities to the government. The UAE statistical agencies gradually improve the availability and quality of their statistics, but more progress is needed, to improve timeliness, coverage, and availability of economic statistics.
National Accounts: The methodology broadly conforms to the 2008 SNA. Annual GDP is compiled in current and constant 2010 prices with a lag of 1 or 2 years, while the authorities periodically released constant price (2010) quarterly GDP estimates currently available for 2012Q1-2022Q1 (by production only). In 2022, the authorities released 2021 annual National Accounts Estimates by production only. National accounts compilation is undertaken by the Federal Competitiveness and Statistics Authority (FCSA) and the independent regional (Emirati) statistical agencies of Abu Dhabi and Dubai that report directly to the Emirates governments. This creates problems of priorities and hinders the sharing of data by the regions to the FCSA. Although the FCSA is responsible for compiling the national estimates of GDP, it only compiles estimates for the Northern Emirates (that is, the UAE excluding Abu Dhabi and Dubai) then adds the gross value added (GVA) compiled by the other two agencies to arrive at national GDP. This is not advisable and should be discontinued, as the compilation process is not consistent across the three agencies since they use different data sources and compilation techniques to estimate GVA for the same activities.
Price Statistics: In November 2018, a new quarterly national manufacturing sector Producer Price Index (PPI) was published, in line with a roadmap to subscribe to the SDDS. PPI is available for 2016Q1-2021Q1. Monthly CPI data was published with a delay of around one month, but publication stopped in December 2021. Consumer price indexes need further harmonization at the federal level. The work on revising the CPI basket weights is in its final stages.
Government Finance Statistics (GFS): In April 2017, for the first time since 2012, the UAE authorities have recommenced reporting high frequency data for budgetary central government. The UAE has submitted annual general government fiscal accounts for the *GFS Yearbook* since 2012, after the implementation of *GFSM 2001* in 2009 by the federal and several emirate governments. In July 2018, the UAE has launched a National Summary Data Page (NSDP), which includes dissemination of central and general government data. In 2022, the authorities published general government budget data and metadata based on the GFSM 2014 framework, including historical series going back to 2012. Work is underway on improving the coverage of the general government statistics and enhancing classification. Currently, the authorities are working on compiling balance sheets data for the general government based on the GFSM 2014 framework, and are expected to disseminate an opening financial balance sheet in due course. Since 2021, the central government started issuing debt. The work is underway to compile Central Government Debt statistics.
Monetary Statistics: The central bank of the UAE (CBUAE) disseminates SRF-based monetary data covering the central bank and the other depository corporations since September 2016, with monthly frequency but varying timeliness (no longer than two months). Following the implementation of the April 2017 STA mission recommendations, the CBUAE started reporting quarterly data on other financial corporations (OFCs) covering insurance and other OFCs supervised by the CBUAE starting in December 2018, however with delayed timeliness.

Financial Sector Surveillance: The CBUAE reports quarterly FSIs to the Fund, which are disseminated on the IMF's FSI website (fsi.imf.org). The reported FSIs at this stage only include the 12 core FSIs for deposit takers. STA has recommended the CBUAE to also compile and report encouraged FSIs for deposit takers and other sectors. **Financial Access Survey:** The UAE reports data on several series and indicators of the Financial Access Survey (FAS) including the two indicators (commercial bank branches per 100,000 adults and ATMs per 100,000 adults) adopted by the UN to monitor Target 8.10 of the Sustainable Development Goals (SDGs).	
External Sector Statistics: The information needed to compile the balance of payments (BOP) has shortcomings, especially for the financial account, and these gaps currently prevent the CBUAE from submitting BOP data to the IMF's Statistics Department. The CBUAE has started receiving cross-border transactions data from the SWIFT Scope system, and this should aid compilation of the BOP. Improved BOP statistics will, in turn, help the authorities in their project to compile the IIP, which will close an important statistical gap. The FCSC has made a significant progress in outward FDI data compilation using firms' survey, which still needs to be disseminated. Many components of the IIP data are currently missing or incomplete, as data on private foreign assets and liabilities and on government foreign assets lack appropriate surveys or are not published. The development of a comprehensive BOP and IIP is feasible, if the CBUAE, the FCSC, and the Ministry of Economy strengthen their capacity, enhance coordination, and receive appropriate support at the highest level.	
II. Data Standards and Quality	
The UAE became a participant in the GDDS in July 2008. In July 2018, the UAE launched a National Summary Data Page (NSDP), becoming the first Gulf Cooperation Council (GCC) country to implement the recommendations of the enhanced General Data Dissemination System (e-GDDS). The UAE continues to work toward subscribing to the Special Data Dissemination Standards (SDDS).	No Data ROSC is available.

UAE: Table of Common Indicators Required for Surveillance
(As of December 12, 2022)

	Date of latest observation	Date received	Frequency of Data[1]	Frequency of Reporting[1]	Frequency of publication[1]
Exchange Rates	Real time	Real time	D	D	D
International Reserve Assets and Reserve Liabilities of the Monetary Authorities[2]	09/2022	11/2022	M	M	M
Reserve/Base Money	09/2022	11/2022	M	M	M
Broad Money	09/2022	11/2022	M	M	M
Central Bank Balance Sheet	09/2022	11/2022	M	M	M
Consolidated Balance Sheet of the Banking System	09/2022	11/2022	M	M	M
Interest Rates[3]	Real time	Real time	D	D	D
Consumer Price Index	12/2021	05/2022	M	M	M
Revenue, Expenditure, Balance and Composition of Financing[4]– Central and General Government	06/2022	09/2022	Q	Q	Q
Stocks of Central Government and Central Government-Guaranteed Debt[5]	...	...	NA	NA	NA
External Current Account Balance	2021	11/2022	A	A	A
Exports and Imports of Goods and Services	2021	11/2022	A	A	A
GDP/GNP	2021	09/2022	A	A	A
Gross External Debt	...	...	NA	NA	NA
International Investment Position[6]	...	...	NA	NA	NA

[1] Daily (D), Weekly (W), Monthly (M), Quarterly (Q), Annually (A), Irregular (I): Not Available (NA).
[2] Any reserve assets that are pledge of otherwise encumbered should be specified separately. Also, data should comprise short-term liabilities linked to a foreign currency but settled by means as well as the national values of derivatives to pay and to receive foreign currency, including those linked to a foreign currency but settled by other means.
[3] Both market-based and officially determined, including discount rates, money market rates, and rates on treasury bills, notes and bonds.
[4] Foreign, domestic bank, and domestic nonbank financing.
[5] Including currency and maturity composition.
[6] Includes external gross financial asset and liability positions vis-à-vis nonresidents.