

**COUNTRY PROFILE:****EMIRATE OF DUBAI****DATED:****NOVEMBER 2011****CREDIT GUARANTEE:**

IES/02: ATTACHMENT A

<i>Export Department Comment/ Opinion</i>	Rating 2B. Cover considered on open basis. High exposure and commitments. Not a claims free market. (Euler Hermes: BB ; Atradius: 2/7 ; Cofas: A3/A3 ) Sanctions: None
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**Recent Political Highlights**

- Dubai is an emirate of the United Arab Emirates. The government is a constitutional monarchy ruled by His Highness Sheikh Mohammed bin Rashid Al Maktoum. He has been ruler since 2006 following the death of his elder brother Sheikh Maktoum bin Rashid Al Maktoum. The ruler of Dubai is also Vice President and Prime Minister of UAE and member of the Supreme Council of the Union (SCU).

**Recent Economic Highlights**

- Dubai's economy shrunk by 2.4% in 2009 and then beat estimates to grow by 2.8% in 2010. The recovery is attributed to growth in the trade and retail sector. Western financial institutions predict Dubai's economy to grow by 3.5% in 2011; the emirate accounts for 28% of the United Arab Emirates (UAE) economy.
- Dubai's rapid economic growth was fuelled by property, however since the 2008 financial crisis property prices have fallen by as much as 50% as many projects had to be cancelled and thousands of people lost their jobs. Dubai has the lowest unemployment rate in the UAE. According to the CIA the unemployment rate was 2.4% in 2010 with a labour force of 3.7 million people.
- According to the country's statistics centre Dubai's population reached 1.92 million in February 2011. The population increased by 73 000 in seven months from August 2010. Dubai remains the most populated UAE emirate.
- In 2010 Dubai World, one of the largest state backed companies requested a six month moratorium for its debt payments with the company needing to restructure about \$26bn of its \$56bn debt. Dubai World's property company Nakheel, developer of some of the city's largest projects had a bond repayment of \$3.5bn due in December 2010 but Dubai's government distanced itself from the company, citing that the business should be responsible for its own actions. Three weeks later Abu Dhabi rescued the company with a \$10bn aid, highlighting that much was at stake for the country in letting Dubai World fail. Dubai World put restructuring plans in place in March 2011, assuring its creditors that it would repay in full in the next five to eight years.
- According to Saudi Bank, Dubai's Government Related Enterprises (GRE) owe about \$77bn stating that the debt remains a risk as the government may be pushed into absorbing further liabilities. Samba Financial Group reported that government liabilities were manageable; however direct debt repayments are still large due to limited fiscal revenues of around \$8bn a year and budget deficits of between \$1bn and \$1.6bn a year. In 2014 direct government debt repayments excluding GRE debt are set to spike to an estimated \$20.6bn. Improvement in GRE finances will be key to the long term financial health of the emirate. It appeared that the government will extend repayments due and seek to roll over the \$10bn notes held by the central bank and possibly the financing from Abu Dhabi. The IMF warned that that unless Dubai was able to increase its fiscal revenues, the debt to GDP ratio would rise to 47.4% in 2012 and to 60% by 2016.
- The current account surplus is set to surge from \$129bn to \$292bn, thereby raising the level of gross foreign assets to \$1.7trillion by year end 2011. Samba Financial Group estimates that the emirate's total government debt stands at \$31.5bn which is equivalent to 38% of GDP. Over the next two years Dubai Inc will face around \$30bn worth of debt repayments and it plans to sell assets.
- The UAE is ranked 9<sup>th</sup> in the world with a GDP per capita of \$50 000. GDP totaled \$246.8bn in 2010.
- Inflation has held below 1% for most of the year as bank lending remained slow and the property sector is still weak and was zero in September. Inflation rose to a three-month high in October as food prices climbed On a month on month basis price growth eased to 0.3% in October after a 0.4% increase in September.

**Latest Trade Developments**

- Major UAE exports: crude oil, natural gas, re - exports and dried fish dates.
- Major UAE imports: machinery and transport equipment, chemicals and food.
- Main trading partners: US, China, Japan, Germany, India, Iran, South Korea and Thailand
- SA's exports to the UAE in 2009 totaled R5.1bn, R6.1bn in 2011 and in R5.3bn 2011 YTD September.
- SA's imports to the UAE in 2009 totaled R4bn, R6.4bn in 2010 and R5.4bn 2011 YTD September.

*Researched and compiled by Nkateko John Mongwe, Economic Services – Credit Guarantee Insurance Corporation Africa*