



# NEWS RELEASE

Aug 16, 2022

## R&I Affirms AA, Stable: Emirate of Abu Dhabi

Rating and Investment Information, Inc. (R&I) has announced the following:

**ISSUER:** Emirate of Abu Dhabi  
**Foreign Currency Issuer Rating: AA, Affirmed**  
**Rating Outlook: Stable**

### RATIONALE:

The Emirate of Abu Dhabi is one of the seven emirates that constitute the United Arab Emirates (UAE) and forms the core of the UAE from both economic and political perspectives. The emirate has strong economic fundamentals supported by diversifying industries and stable socio-political environment. The economy has been recovering at a solid pace marking a rebound from a sharp downturn under the COVID-19 pandemic. The fiscal balance is improving and the emirate maintains its fiscal strength, backed by ample financial buffers. R&I has affirmed the Foreign Currency Issuer Rating at AA, reflecting the said factors.

After the significant contraction in 2020 due to the COVID-19 pandemic, the real gross domestic product (GDP) returned to a growth trajectory in 2021 mainly supported by a recovery of the non-oil sector. As for 2022, the emirate's economy is getting a boost from the increased crude oil production resulting from the tight energy supply-demand balance as well as the demand recovery of tourism on a worldwide basis. As the Central Bank of the UAE is projecting the growth rate of UAE economy at 5.4% with a forecast of even higher growth rate for the oil sector, Abu Dhabi is also expected to stay on a trajectory of solid economic growth.

Oil and natural gas-related revenues represent a majority of the Abu Dhabi government's annual revenues, making its fiscal position highly susceptible to the prices and production trends of crude oil. According to the International Monetary Fund, the emirate's fiscal balance for 2020 was in deficit due to the economic measures in response to the COVID-19 pandemic and a decline in oil and natural gas-related revenues, among other factors. It seems that the fiscal balance restored a position of net surplus in 2021 partly thanks to the government's efforts to rationalize expenditures, an economic recovery and a rise in crude oil prices. The trend of improvement in fiscal balance will likely continue in 2022.

Sovereign wealth funds (SWF) is responsible for managing the excess capital from fiscal surpluses, which then provides a financial resource for the government to fill fiscal deficits. There is thus little concern about the government's financing. The government debt remains under control, exceeded in value significantly by the assets under management of SWF, in R&I's view.

Utilizing the ample funds in hand, the government has been striving toward diversification of industries by attracting manufacturers from abroad and developing tourism sector among other measures. The share of oil and natural gas-related sectors in the gross domestic product (GDP) has been on a downward trend. The government has launched a strategic initiative toward industrialization, aiming to increase the investment in the manufacturing sector and double the sector's scale by 2031. At the same time, the government of UAE is continuing to implement measures aimed at invigorating the private sector, by easing the visa system in order to attract the human resource with a high level of expertise from foreign countries, among other measures. The UAE government also takes a step to develop taxation system including the corporate tax which will be introduced in 2023. Eyes are on whether or not the said policies will lead to further enhancement of the emirate's economic fundamentals.

The primary rating methodology applied to this rating is provided at "R&I's Analytical Approach to Sovereigns". The methodology is available at the web site listed below, together with other rating methodologies that are taken into consideration when assigning the rating.

[https://www.r-i.co.jp/en/rating/about/rating\\_method.html](https://www.r-i.co.jp/en/rating/about/rating_method.html)

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**R&I RATINGS:****ISSUER:****Emirate of Abu Dhabi****RATING:****Foreign Currency Issuer Rating****AA, Affirmed****RATING OUTLOOK:****Stable**

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