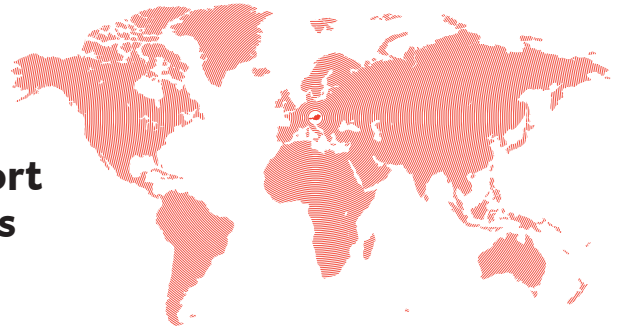


Oberbank

Economic and Banking Report Global Financial Institutions



United Arab Emirates

Economic situation

> GDP decline -5.5 %

The United Arab Emirates - the oil giant in transformation. The Federation comprises seven autonomous emirates with a total population of around 9 million. The proportion of immigrants is also a remarkable 85 %.

10 % Covid-19-related population loss

In 2020, the already weak economic development of the Federation will be shaken again. The UAE experienced a -5.5 % **economic slump** in 2020, fuelled by the global Covid-19-pandemic coupled with ongoing conflicts with various countries and oil price developments, among other factors.

After temporary **deflation** of over 2 % in 2019 and 2020, slight inflation of **0.4 %** and real **GDP growth** of 3.0 % are expected for **2021**.

Until a few years ago, the oil-centred United Arab Emirates remained in state-controlled and predominantly closed hands. However, the one-sided dependence on oil exports and the challenges of globalisation prompted a turnaround. This necessitated a diversification and internationalisation of the economy.

With the help of business-friendly governance, free movement of capital, good infrastructure and high internal security, the UAE is establishing itself as an attractive business location. The

Commercial Companies Law, revised in 2020, is proof of this. It now allows international entrepreneurs to establish a company on Emirati territory without an Emirati majority shareholder.

In general, the Federation is subject to a **liberal economic order**. On the one hand, this opens numerous entrepreneurial opportunities, on the other hand, the population faces considerable challenges, especially in times of crisis. In the absence of monetary support during the Covid 19 pandemic, a **10 % population loss** followed.

Strengthening the economy as a top priority

To put the UAE on track as a business location and strengthen the economy, economic and political **relations with Israel** were **established** at the beginning of the year and the **Qatar blockade**, which has been in place since 2017, was **lifted**. These measures strengthen Dubai's position as a hub in the region. As one of the world's most important gold transshipment hubs, this position reinforces Dubai's establishment as an attractive alternative location and competes with Hong Kong, among others. Moreover, as a **leading regional and global trade and investment centre**,

Dubai is once again proving through Expo that large-scale government projects play an essential part in sustaining and stimulating the economy.

Expo 2020, which has been postponed from 2020 to 2021 with 190 participating countries, **promises an additional boost** for the economy and tourism. The motto of this year's world exhibition is „Connecting Minds, Creating the Future“ and focuses on promising concepts and technologies in a disruptive and increasingly networked world.

Summary:

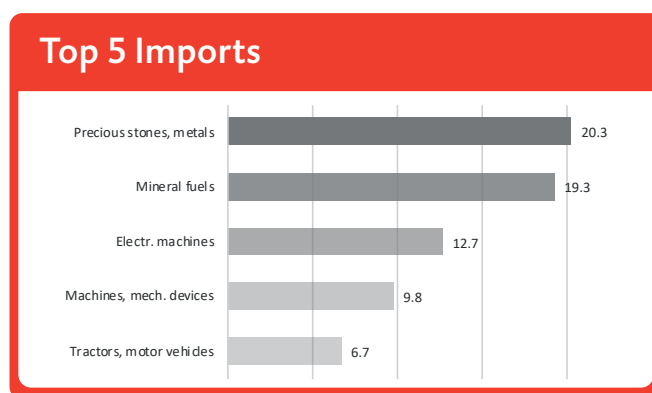
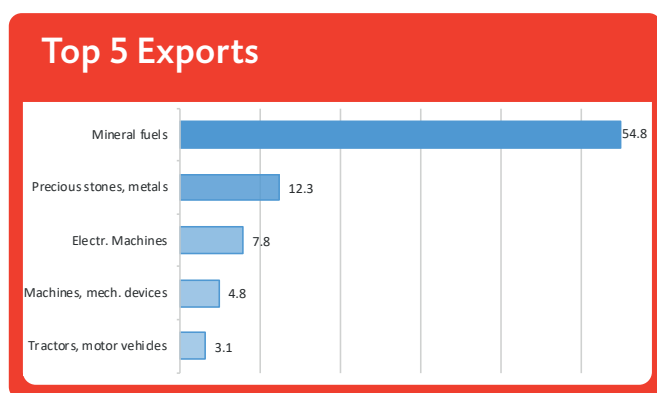
- -5,5 % GDP deficit in 2020
- After 2 % deflation, mild inflation expected in 2021
- **10 % Covid-19-related population decline**
- Relations with Israel established, Qatar blockade lifted
- Dubai as regional hub
- **Expo 2020** promises cross-sectoral boost

Key economic figures	2018	2019	2020	2021*
Nominal GDP in billions of USD	422.2	421.1	360.5	391.0
GDP/capita at purchasing power parity in USD	68,866	70,093	69,444	71,405
Population in millions	9.6	9.8	9.5	9.7
Real economic growth in %	1.2	1.7	-5.5	3.0
Inflation rate (%)	3.1	-1.9	-2.1	0.4
Unemployment rate in %	2.57	2.64	3.50	3.00
Exchange rate AED to EUR	23.05	24.64	22.28	n.s.
Goods exports of the country in billions of USD	321.0	315.9	259.5	294.8
Goods imports of the country in billions of USD	235.3	241.1	203.7	223.7

* Preliminary forecast; Source: WKO Wirtschaftsbericht, June 2021

Exports/Imports

The United Arab Emirates' most important trading partners include China, India, the USA, Saudi Arabia and Iraq. Besides the oil sector, the main commodity groups are gold, telecommunications equipment, jewellery and diamonds. Despite restricted supply chains worldwide due to the Covid 19 pandemic, Dubai says it has also recorded an increase in foreign trade with the export hit oil.



Source: WKO, Länderprofil, August 2021; 2019 in %

Economic relations with Austria

In trade with the United Arab Emirates, a decline in Austrian investments will be recorded in 2020. Despite a reduction of -14.7 %, the Federation remains the seventh most important destination for Austrian direct investments.

In contrast, the number of Austrian company branches is subject to a significant downward trend. This is due, among other things, to the eminently high cost of living, the payment morale, the economic developments and also the order situation. 150 companies

have a branch office in the UAE. However, numerous others operate indirectly through agents or importers.

Opportunities for Austrian companies

A sustainable upswing in economic relations between Austria and the United Arab Emirates is expected, especially after Expo 2020.

Industries with potential are manifold for Austrian companies and offer op-

portunities in the field of machinery and measuring instruments, the construction sector including construction supplies as well as export activities of vehicles and foodstuffs. As a new innovative development opportunity, the United Arab Emirates offer participation in the development of space vehicles. Austrian companies are thus given the opportunity to contribute to this progress with services, equipment design and know-how.

> Imports to Austria

Austria shows an import decline from the UAE of -18 % in 2020. The leading import goods continue to be unprocessed aluminium and ignition cable sets for motor vehicles. Other import hits include iron and steel goods as well as machinery, apparatus and mechanical equipment.

Contrary to the export hit of the UAE, Austria does not import any fossil fuels from the Federation.

Imports of goods 2020: -18 %

> Exports from Austria

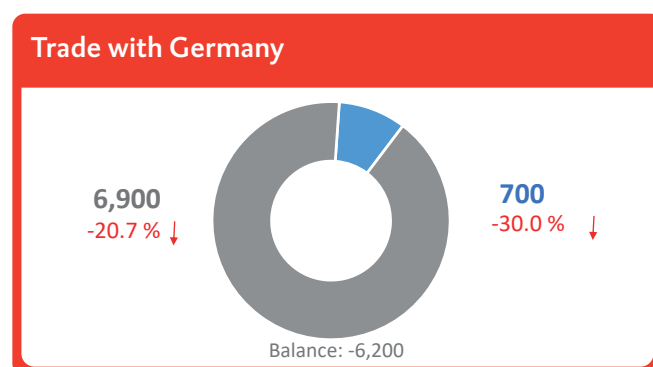
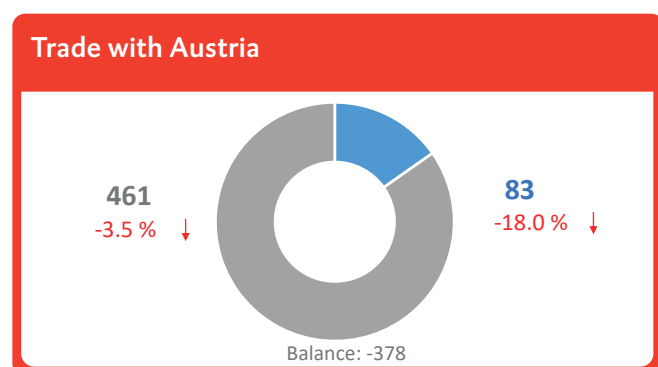
Despite the increase in export goods in the first half of 2020, a decline of -3,5 %. Electrical machinery, vehicles, followed by boilers, machinery, apparatus and mechanical appliances as well as optical measuring instruments and pharmaceutical products make up Austria's top 5 export groups to the UAE.

Exports of goods 2020: -3.5 %

Economic relations between Austria and Germany	2020	2019	Change on the previous year in %
Austrian exports of goods in EUR million	461.2	477.8	-3.5
Austrian imports of goods in EUR million	83.1	101.4	-18.0
Austrian exports of services in EUR million	331	461	-28.2
Austrian imports of services in EUR million	244	301	-18.9
German exports in EUR million	6,900	8,700	-20.7*
German imports in EUR million	700	1000	-30.0*

Source: Wirtschaftsbericht, WKO, June 2021, and Germany Trade & Invest, May 2021; * own calculation.

The foreign trade of the United Arab Emirates



2020, change YOY, in EUR million

Imports, exports and balance sheet from the perspective of the United Arab Emirates; own presentation

Assessment of the business environment

Ease of Doing Business 2020	Rank 16 of 190 countries
Global Competitiveness Index 2019	Rank 25 of 141 countries
Corruption Perceptions Index 2020	Rank 21 of 198 countries
Rule of Law Index (World Justice Project) 2021	Rank 37 of 139 countries
Most important goods export market AT/DE 2020	Rank 36 / Rank 32

Current rankings of Oberbank regions in the Corruption Perceptions Index:

Germany	9
Austria	15
Czech Republic	49
Hungary	69
Slovakia	60

In the ease-of-doing-business ranking, in the comparison of the business friendliness of economies, the United Arab Emirates finds itself in the top 10 %.

The three-place improvement since 2012 in the Global Competitiveness Index also indicates an upward trend in this indicator.

In addition, the Federation stabilises its position with regard to the rule of law and corruption with rank 21 (Corruption Perceptions Index).

Rating United Arab Emirates

> Investment grade

Agency	Rating	Outlook	Date
Fitch	AA-	Stable	11.11.2020
Moody's	Aa2	Stable	04.05.2021

Source: Country economy

In general, Fitch rates the UAE's creditworthiness based on fiscal and external positions of all emirates and makes statements about the current and future economic position based on selected indicators.

Fitch's „AA-“ rating is for the UAE's federal government and is supported by moderate consolidated public debt. Fitch also highlights the UAE's strong net foreign asset position and high

GDP per capita. These positive indicators are tempered by weak governance indicators as well as high hydrocarbon income dependence.

Double A ratings with stable outlook for the Federation

The largest banks in the United Arab Emirates

Place	Bank	Total Assets
1	First Abu Dhabi Bank PJSC	250,214
2	Emirates NBD Bank PJSC	190,054
3	Abu Dhabi Commercial Bank PJSC	111,937
4	Dubai Islamic Bank PJSC	78,832
5	HSBC Bank Middle East Limited	44,601
6	Mashreq Bank PSC	43,158
7	Abu Dhabi Islamic Bank	34,798
8	Commercial Bank of Dubai PSC	26,507
9	Emirates Islamic Bank PJSC	19,213
10	Sharjah Islamic Bank	14,593

Total assets as of 31.12.2020 in USD million; consolidated
Source: Bankers Almanac, download on 15.10.2021

Oberbank Expertise

Banks shaded in grey:

Oberbank has an active relationship with these relationship banks (SWIFT/RMA) and is thus able to provide documentary transactions for customers. Payment transactions are also possible with all banks in the UAE via our clearing bank partners.

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