Credit Rating Announcement

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United Arab Emirates – Sovereign Ratings Affirmed with a Stable Outlook

Rating Action

Capital Intelligence Ratings (CI Ratings or CI) today announced that it has affirmed the Long-Term Foreign Currency Rating (LT FCR) and LT Local Currency Rating (LT LCR) of the United Arab Emirates (UAE) at 'AA-'. At the same time, CI Ratings has affirmed the sovereign's Short-Term FCR (ST FCR) and ST LCR at 'A1+'. The Outlook for the ratings remains Stable.

Rating Rationale

The ratings reflect the strength of the UAE's consolidated fiscal and external positions, and CI's expectation that these will remain strong throughout the forecast period provided that geopolitical risk factors do not increase significantly. The ratings also reflect our view that the oil-rich emirate of Abu Dhabi would be willing to support federal institutions in the unlikely event of financial distress. The UAE's stable domestic political environment, very high GDP per capita, sound banking system, and the government's ongoing efforts to diversify the economy and improve the consolidated budget structure also support the ratings.

The ratings are mainly constrained by the relative dependence on hydrocarbon revenues, budget rigidities and high geopolitical risk factors. Oil and gas accounted for around 40.0% of consolidated government revenues and 24.5% of GDP in 2024. Both the federal and consolidated budget structures are weakened by high expenditure rigidities. Furthermore, the UAE is exposed to significant geopolitical risk due to the still fragile situation in Gaza and the recent escalation in Yemen (even though the UAE has announced troop withdrawal), as well as the continued tension between Iran and allies Israel and the US despite the ceasefire agreement that was reached in June 2025.

The country's external accounts remain very strong, supported by the main emirates, especially Abu Dhabi. The current account surplus is expected to have remained very high in 2025 at around 13.2% of GDP (down slightly from 14.5% in 2024) and is projected by CI to average 11.9% of GDP in 2026-27, supported by a gradual pick-up in hydrocarbon exports and the continuation of robust non-hydrocarbon activity. Notwithstanding the above, risks to the external outlook stem from the continued tension in the Red Sea and the Arabian Gulf between Israel, the US and Iran. Other risks could stem from slower-than-projected growth in the UAE's major trading partners, which in turn would reduce demand for hydrocarbons and adversely affect tourism revenues and capital inflows.

International liquidity is high. Official reserves are adequate, and increased to USD274.0bn in October 2025, from USD238.2bn in December 2024. CI notes that official reserves are expected to have reached USD280bn in December 2025 and are projected to cover 215.4% of external debt falling due in 2026. The broader international liquidity ratio (which measures official reserves and banks' liquid foreign assets against gross external financing needs) is expected to have remained very high at 825.6%. Moreover, the assets of the country's various sovereign wealth funds are much larger, although disclosure is limited. It is estimated that the Abu Dhabi Investment Authority (ADIA), the largest of the UAE sovereign wealth funds, had around USD1,110bn of assets under management in 2024. While the UAE's net external creditor position cannot be taken as a solvency risk indicator for the individual emirates, CI expects that Abu Dhabi – the wealthiest emirate – would provide financial assistance to the federal government, including the Central Bank of the United Arab Emirates (CBUAE), in the event of need.

The public finances remain very strong, largely fuelled by high hydrocarbon revenues. The consolidated budget position (which is dominated by Abu Dhabi) is very strong, with an estimated surplus of 5.1% of GDP in 2025 (5.4% in 2024). Assuming an average oil price of USD60/barrel, the consolidated budget is expected to post an average surplus of 4.7% of GDP in 2026-27, with robust non-hydrocarbon revenues and increasing hydrocarbon production partially offsetting the impact of lower hydrocarbon prices.

Reflecting very large primary surpluses, the consolidated government debt stock is expected to have declined slightly to 34.0% of GDP in 2025, from 34.9% in 2024.

At present, consolidated government refinancing risks are low given the relative size of the budget surplus. Abu Dhabi and Dubai's access to capital markets remains strong, as evidenced by favourable investor sentiment and low credit default swaps (CDSs) on their outstanding debt. In September 2025, the government of Abu Dhabi issued a USD3bn dual tranche eurobond with a tenure of 3 and 10 years, while in April 2025, Dubai tapped the markets with a USD1.25bn dual tranche 30-year eurobond and sukuk, with all the issues being oversubscribed.

Contingent liabilities are deemed moderate. Dubai's non-bank government-related entities (GREs) are the most exposed to refinancing risks due to their relatively high debt stocks (estimated at 51% of the emirate's GDP in 2024). According to the IMF, the maturing debt of all GREs is estimated at around 2.1% of UAE's GDP in 2026.

Economic performance is expected to remain upbeat in the short to medium term, supported by strong domestic activity and reform implementation under the UAE Strategy for the Future. Real GDP is expected to have expanded by 4.9% in 2025 (from 4.0% in 2024). Real output is expected to grow by an average of 5.1% in 2026-27, reflecting solid non-hydrocarbon growth and recovery in the hydrocarbon sector as OPEC+ production cuts are gradually phased out by Q1 26. Notwithstanding the favourable growth outlook, risks could stem from lower-than-projected growth in global economies and tense geopolitical conditions. CI notes that the implementation of reforms based on the UAE Strategy for the Future could help to reduce economic risks stemming from the dependence on hydrocarbons. These in particular include measures aimed at strengthening the private sector, diversifying the economy and further reducing labour market segmentation (the government is still the largest employer of nationals).

The banking system remains sound, and is a supporting rating factor. Banks operating in the UAE are well-regulated and supervised, and strongly capitalised, with an average capital adequacy ratio of 17.4%, Tier 1 capital ratio of 16.2% and CET1 ratio of 14.8% as of end-September 2025. Asset quality remains satisfactory, with the average NPL ratio declining to 3.2% of gross loans at end-September 2025, from 4.1% at end-December 2024.

CI considers the quality of economic data to be comparatively weak for the rating category. Fiscal accounts are not comprehensive, but fiscal disclosure at the consolidated level has started to improve and accounts are now compiled more in line with international standards and published periodically. However, information on government external financial assets is not disclosed, hindering the assessment of balance sheet strength and flexibility.

Rating Outlook

The Stable Outlook indicates that the ratings are likely to remain unchanged over the next 12 months. The outlook balances the UAE's strong net external asset position and availability of large fiscal buffers against continued reliance on hydrocarbon exports and increasing geopolitical risk factors.

Rating Dynamics: Upside Scenario

The ratings could be upgraded by one notch in the next 12 months if the authorities continue to implement structural reforms that lead to a sustainable reduction in the reliance on oil exports, as well as improve institutional framework and data disclosure. Moreover, a durable and significant decline in geopolitical risk could place upward pressure on the ratings if accompanied by steady reform implementation and a decline in contingent liabilities.

Rating Dynamics: Downside Scenario

The ratings could be lowered if geopolitical tensions escalate to a level that disrupts hydrocarbon flows in the region for a prolonged period of time. Moreover, the ratings could be downgraded if refinancing risks increase significantly due to deteriorating public and external balances linked, for example, to an unexpected sharp and prolonged decline in hydrocarbon prices.

Credit Ratings

Foreign Currency		Local Currency		Outlook	
LT	ST	LT	ST	FC	LC
AA-	A1+	AA-	A1+	Stable	Stable

Contact

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About the Ratings

The credit ratings have been issued by Capital Intelligence Ratings Ltd, P.O. Box 53585, Limassol 3303, Cyprus.

The ratings, rating outlook and accompanying analysis are based on public information. This may include information obtained from one or more of the following sources: national statistical agencies, central banks, government departments or agencies, government policy documents and statements, issuer bond documentation, supranational institutions, and international financial institutions.

CI considers the quality of information available on the rated entity to be satisfactory for the purposes of assigning and maintaining credit ratings, but does not audit or independently verify information published by national authorities and other official sector institutions.

The principal methodology used to determine the ratings is the Sovereign Rating Methodology dated September 2018. For the methodology and our definition of default see https://ciratings.com/policies-procedures/methodologies-criteria/current-criteria-guidance. Information on rating scales and definitions and the time horizon of rating outlooks can be found at https://ciratings.com/policies-procedures/rating-scales-definitions Historical performance data, including default rates, are available from a central repository established by ESMA (CEREP) at https://registers.esma.europa.eu/cerep-publication

This rating action follows a scheduled periodic (semi-annual) review of the rated entity. Ratings on the entity were first released in December 1996. The ratings were last updated in July 2025. The ratings and rating outlook were disclosed to the rated entity prior to publication and were not amended following that disclosure.

The ratings have been initiated by CI. The following scheme is therefore applicable in accordance with EU regulatory guidelines.

Unsolicited Credit Rating

With Rated Entity or Related Third Party Participation:	No
With Access to Internal Documents:	No
With Access to Management:	No

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