

SU/23/15

January 26, 2023

**The Acting Chair's Summing Up  
United Arab Emirates—2022 Article IV Consultation  
Executive Board Meeting 23/7  
January 25, 2023**

Executive Directors agreed with the thrust of the staff appraisal. They 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.

It is expected that the next Article IV consultation with the United Arab Emirates will be held on the standard 12-month cycle.