

# COUNTRY RISK REPORT: UNITED ARAB EMIRATES AND SINGAPORE

## Introduction

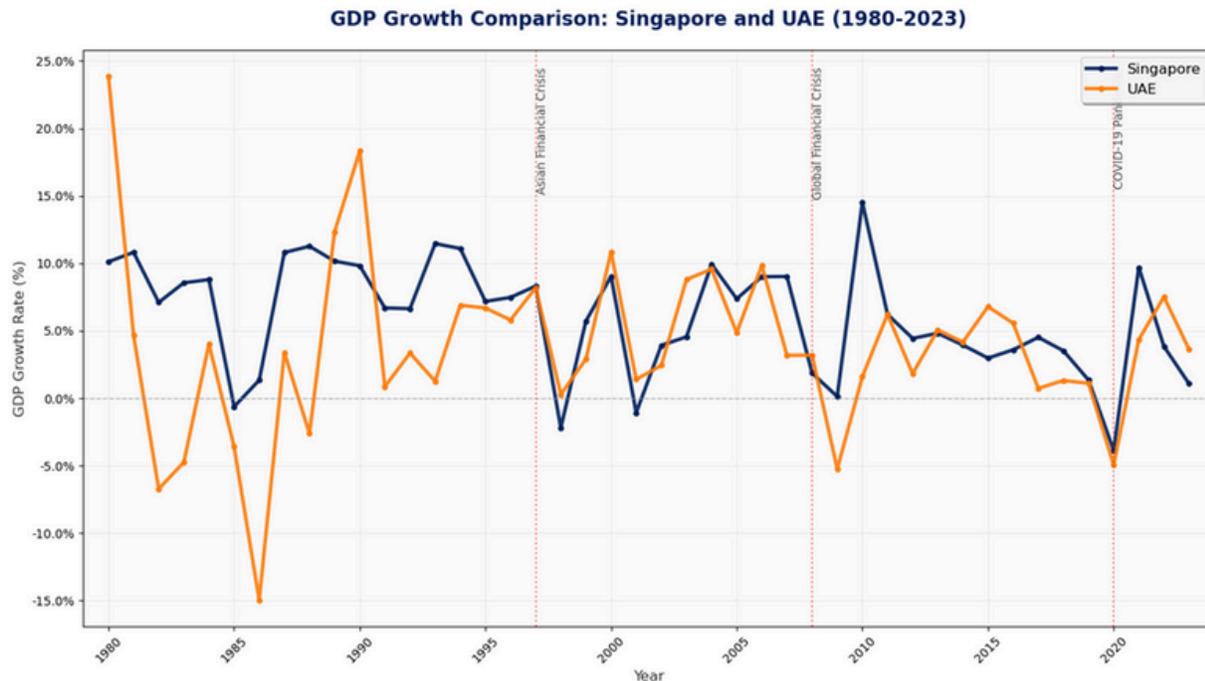
This report provides a comprehensive comparative risk assessment of Singapore and the United Arab Emirates (UAE), two prominent city-states that have transformed into global financial and commercial hubs despite their relatively small geographic footprints. Both nations have demonstrated remarkable economic resilience and strategic vision, yet face distinct challenges in an evolving global landscape.

The analysis contained herein is designed primarily for institutional investors, multinational corporations considering market entry or expansion—like wealth management firms, financial institutions evaluating sovereign risk, and policy analysts seeking comparative insights on successful small-state economic models. Secondary audiences include academic researchers and economic development specialists studying diversification strategies in resource-limited environments.



This report offers a comprehensive comparative analysis of Singapore and the UAE, examining their economic growth trajectories and inflation management strategies, fiscal frameworks (contrasting Singapore's surplus discipline with the UAE's sovereign wealth approach), external positions including trade and investment flows, debt sustainability metrics across public and private sectors, and governance structures that underpin their economic models. By juxtaposing these superficially similar yet fundamentally distinct economic powers—Singapore's knowledge-based economy versus the UAE's post-petroleum transition—this assessment illuminates their unique risk-reward profiles, providing investors, multinational corporations, and financial institutions with actionable intelligence for portfolio allocation, market entry strategies, and long-term investment planning in two of Asia and the Middle East's most dynamic economies.

## Economic Growth: Singapore vs. UAE



Source: World Bank GDP Growth (annual %)

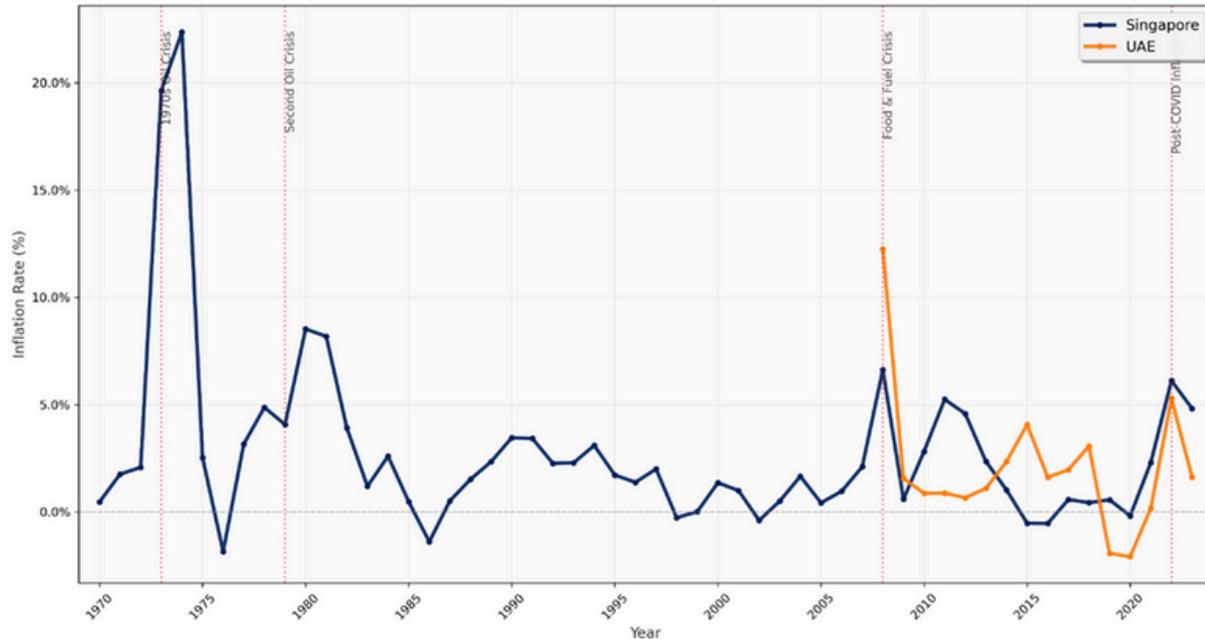
Singapore's economy has grown steadily but not too quickly in recent times, overcoming challenges from the global economy. In 2023, the country's GDP grew by 1.1% (FocusEconomics, 2024) and over the last ten years, it has averaged 3.3% annual real GDP growth despite challenges such as the Asian Financial Crisis, the 2001 IT downturn and COVID-19 (Bank of Singapore, 2024). The Ministry of Trade and Industry said that GDP grew by 4.4% in 2024 and expects growth in 2025 to be between 1.0% and 3.0% (Ministry of Trade and Industry Singapore, 2024).

Over the last decade, the UAE's economy has expanded quickly, as non-oil sectors grew by more than 6% per year from 2014 to 2015 and the GDP rose by 3.6% in 2023 (World Bank, 2023). During 2024, the economy kept growing, as the third quarter saw a 3.8% increase year-on-year and the first nine months had a total growth of 3.8%, mainly thanks to a robust non-oil sector (Oxford Business Group, 2024). With trade, tourism, financial services and real estate leading the way, non-oil sectors which make up about 70% of the GDP, are major contributors to Egypt's growth (Oxford Business Group, 2024).

It is expected that the UAE's economy will continue to grow at 4–4.5% in 2025, thanks to strong trade, tourism and renewable energy efforts (Oxford Business Group, 2024). Even though low oil prices can be a risk, according to monetary policy analyses, the UAE's efforts to diversify its economy ensure that the country stays strong economically (UAE Central Bank, 2024).

## Inflation: Singapore vs. UAE

Inflation Comparison: Singapore and UAE (1970-2023)



Source: World Bank Inflation (Consumer Prices annual %)

For the period 2015 to 2019, core inflation in Singapore averaged 1.1% every year, but it climbed to 3.0% year-on-year in September 2023 because of shortages in the labor market and wages (World Bank, 2023). Rising inflation in 1980–81, caused by oil shocks, was controlled by changes in exchange rates (Bank of Singapore, 2024). Inflation for headline goods rose to 8.9% in November 2024, from 8.5% in October, because of global and domestic factors, but then stabilized at 0.9% in March 2025, showing high levels of volatility (FocusEconomics, 2024). The main way MAS manages inflation is by using the Singapore dollar nominal effective exchange rate (S\$NEER) to help the currency gradually appreciate which reduces imported inflation (Ministry of Trade and Industry Singapore, 2024). In April 2016, MAS allowed the S\$NEER band to move more freely by setting the slope at 0%, but tightened it again in 2018 and 2022 to fight rising prices. In January and April 2025, MAS eased its policy once more to help the economy (Bank of Singapore, 2024).

An increase in the Goods and Services Tax to 2% in 2007 and to 1% in January 2023, from 7% to 8%, temporarily pushed up inflation and added about 0.7% to the government's revenue (Ministry of Trade and Industry Singapore, 2024). Because Singapore is a small, open economy, it is sensitive to changes in global commodity prices, mainly for oil and food (FocusEconomics, 2024). In addition, the labor market being very tight, with an average unemployment rate of 2.2% from 2014 to 2024 and wages going up, help push up domestic costs, reducing the positive impact of exchange rate policies on inflation (World Bank, 2023).

During the decade to 2023, the UAE’s inflation was 1.5% and in July 2024, Dubai’s inflation fell to 3.3% from 3.9% in June which was the lowest rate since December 2023 (World Bank, 2023). Overall, the data shows low inflation, though it occasionally goes up because of oil prices or world economy changes and projections suggest it will remain stable through 2025 (Oxford Business Group, 2024). Because the dirham is tied to the U.S. dollar, the UAE’s monetary policy is not flexible and the country’s inflation tends to follow U.S. and oil prices (UAE Central Bank, 2024). The UAE Central Bank follows U.S. Federal Reserve adjustments and the monetary policy rate is expected to reach 4.4% by the end of 2024 which is a big increase from the 1% rate a decade earlier (UAE Central Bank, 2024). Efforts to reduce inflation and raise funds have included cutting fuel subsidies in 2015 and adding VAT and excise taxes by 2018 (Oxford Business Group, 2024). Because the UAE is diversifying its economy, it has become less sensitive to changes in oil prices and inflation (Oxford Business Group, 2024). Inflation was held in check by low oil prices in 2024, but it also slowed growth in emirates that depend on oil such as Abu Dhabi (UAE Central Bank, 2024). At the same time, sectors outside the oil industry such as tourism, real estate and trade, help increase domestic spending and keep inflation controlled (Oxford Business Group, 2024). Nevertheless, because the UAE’s economy is open and relies on imports, it faces risks from worldwide price changes, unrest in the region and U.S. financial decisions which may cause higher inflation in the future (UAE Central Bank, 2024).

Singapore deals with more unpredictable inflation which is caused by its connection to global trade and labor market, while the UAE has stable inflation because its currency is tied to the U.S. dollar and the country depends less on oil. The Monetary Authority of Singapore uses a flexible exchange rate to act ahead of imported inflation, but the UAE’s dirham peg means it must follow the Federal Reserve and use cuts in subsidies and taxes to fight inflation. Open markets in both countries make them vulnerable to imported inflation, but Singapore’s low unemployment and increasing wages, along with its big involvement in world trade, aggravate inflation. However, the UAE experiences different problems from its dependency on oil and the uncertainties in the region which may affect its economic security.

*Source: World Bank Inflation (Consumer Prices annual %)*

Country	Most Recent Year	Most Recent Value
Singapore	2023	2.4
United Arab Emirates	2023	1.6

## Governance and Political Factors Analysis

### Political Structure and Leadership Dynamics

While seemingly disparate, Singapore and the UAE offer intriguing case studies in governance. Singapore, an authoritarian democracy dominated by the People's Action Party (PAP), maintains a firm grip on power, evidenced by its parliamentary supermajority since independence [Singapore BTI report] [Aon risk report]. Prime Minister Lawrence Wong's leadership promises policy continuity, yet the PAP faces increasing demands for accountability, highlighted by opposition parties securing a record 10 seats in the 2020 general election [BTI report 24]. This demand exists despite the PAP leveraging legal tools like the Foreign Interference (Countermeasures) Act (FICA) to quell dissent, drawing criticism for curtailing free speech [BTI report 24]. In contrast, the UAE operates as a centralized federal monarchy, with the Supreme Council of Rulers and Abu Dhabi Crown Prince Mohamed bin Zayed Al Nahyan spearheading reforms. Unlike Singapore's established party system, the UAE lacks formal political parties, concentrating power within the ruling families of its seven emirates. The 2025 Aon report highlights the UAE's ambitious National Investment Strategy 2031, aiming to significantly boost FDI, a goal supported by streamlined regulations within its free trade zones [AON report 24]. Thus, both nations navigate governance with unique structures: Singapore emphasizing technocratic control within a parliamentary framework and the UAE prioritizing visionary leadership within a monarchical system, both ultimately aiming to secure future stability and prosperity.

### Governance Effectiveness and Institutional Frameworks

Both Singapore and the UAE showcase distinct strengths in economic management and governance, yet face unique challenges. Singapore boasts a high-performing bureaucracy, reflected in its low Gini Index (0.364 post-transfers) and minimal corruption (Transparency International CPI: 84/100). Its conservative monetary policy, managed by the MAS, targets 2% inflation. However, the presence of state-linked enterprises like Temasek Holdings creates blurred lines between the public and private sectors, potentially affecting policy objectivity. The Fraser Institute awarded Singapore an 8.43/10 for its legal system and property rights (2021). Similarly, the UAE demonstrates strong economic diversification, driven by Sovereign Wealth Funds like Mubadala, with non-oil sectors contributing 72% to GDP [AON risk report]. Its medium-low sovereign risk rating, according to the 2025 Allianz report, is supported by tax reforms and a very low debt-to-GDP ratio [Allianz report 25]. However, the UAE's economic progress is tempered by a lack of independent judiciary oversight and restrictions on labor unions, which the Fraser Institute rated at 7.03/10 for legal system and property rights (2021), potentially posing risks for foreign investors [Allianz report 25]. Moreover, the UAE scores 5.90/10 in the Cato Institute Human Freedom Index [119th in the Cato Institute report 24]. Thus, while Singapore excels in bureaucratic efficiency and controlled pluralism, and the UAE in regulatory innovation and economic diversification, both nations face scrutiny regarding transparency, judicial independence, and freedoms.

## Social and Political Stability: Index Harmonization

Singapore and UAE are countries with a high range of similarities in terms of economy, geography and political model. Since the ultimate goal of this report is to assess and determine the level of stability of both countries, we created what we called a "stability score/index". This index is built upon 11 numbers of reliable and well-considered indexes on governance and political stability that combined and harmonized can help our clients to immediately grasp the degree of stability in both countries and invest accordingly. Detail on comparison of indexes and methodology in the annexes.

## Composite Stability Index Creation

### Methodology:

Normalized Scores: Convert each index to a 0–100 scale." This requires knowing the maximum possible score for each index. For some indexes, like CPI or Freedom House, the max is 100. For others, like the Bertelsmann Transformation Indexes (max 10) or Gini/HDI (max 1), conversion is needed. We will assume a clear maximum for each index to normalize them to 0-100.

Weighted Averages: Assigned weights based on relevance: We valued sociopolitical indexes 5% more than the others. This means if Political and Governance indexes have a base weight of 'x', Sociopolitical indexes will have a weight of '1.05x'. We will need to determine a distribution of these weights to sum to 1 (or 100%).

Simplified PCA Harmonization: Applied principal component analysis to reduce dimensionality.

### Composite Stability Score (2025)

Country	Composite Stability Score (2025)	Key drivers
Singapore	76.3	Strong governance, high human development, low slavery prevalence
UAE	67.8	Strong governance and economic stability, high human development

Figure 1: Social and Political Stability Index produced by GlobalCapital Partners based on 11 political and governance risks indices (2025). It is specified that this index was created by selecting other indices subjectively and arbitrarily chosen by the authors. Detail on the comparison of indexes in the annexes.

### Explanation of the "Key Drivers"

These are qualitative summaries derived from the relative strengths shown in the individual index scores:

- Singapore: Shows consistent high performance in governance (CPI, CGGI, WGI effectiveness) and social indicators (HDI, low Walk Free index). Its political scores are moderate (Freedom House "Partly Free," Democracy Index 6.18) but still better than UAE, contributing to the "bureaucratic efficiency, low corruption" as a key driver.
- UAE: Also demonstrates strong governance and economic stability (implied by high FDI goals and good regulatory framework), reflected in higher WGI scores for control of corruption and government effectiveness. High HDI is also a strength. However, its political freedom and democratic participation scores are significantly lower, which are factored into the overall score.

## Fiscal Position

The Balance of Payments (BoP) profiles of Singapore and the UAE reveal contrasting economic structures, with both nations leveraging distinct advantages to maintain external stability.

### Current Account Dynamics

Singapore sustained a current account surplus of 17.3% of GDP, driven by robust services exports (34% of GDP) and net investment income (8.2% of GDP). High-value sectors like finance, logistics, and IT services contributed to a services trade surplus of \$98 billion, while overseas returns from sovereign wealth funds (GIC, Temasek) and corporate investments bolstered primary income.

The UAE recorded a current account surplus of 10.7% of GDP in 2023<sup>1</sup>, anchored by hydrocarbon exports (\$89 billion, 25% of GDP)<sup>3</sup>, though OPEC+ production cuts reduced oil-related growth. Non-oil exports (tourism, re-exports) and a services surplus (\$22 billion) partially offset a \$65 billion goods import bill<sup>1</sup>. Unlike Singapore, the UAE's primary income balance is negative (-1.9% of GDP) due to profit repatriation by foreign firms.

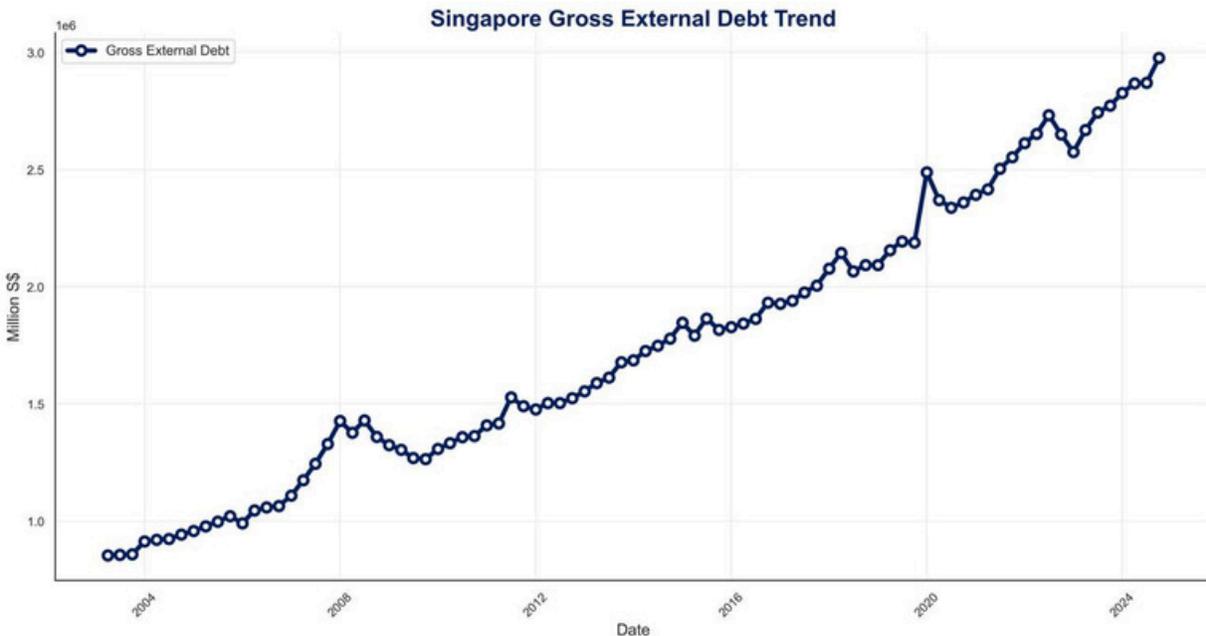
### Capital Account and Investment Flows

Singapore's financial account shows net outflows (-9.4% of GDP) from its SWFs and corporate overseas expansion, balanced by FDI inflows into technology and biotech. The UAE, meanwhile, saw FDI inflows surge 35% to AED 112.6 billion (\$30.7 billion) in 2023, alongside \$82 billion in outward SWF investments. Capital inflows from safe-haven seekers and oil revenues boosted central bank reserves to 8.2 months of imports, while federal bond issuances (\$5.3 billion) reflect deepening debt markets.

## External Solvency

Singapore is characterized by an extremely high gross external debt of S\$2,977 billion (approximately US\$2,277 billion) in the fourth quarter of 2024, with an external debt-to-GDP ratio of 407% (SingStat, 2025). This reflects Singapore's role as a global financial hub and does not signal an inherent fragility, as the country maintains a net creditor position: external assets exceed liabilities, ensuring a solid solvency. The external debt/exports ratio of goods and services is 255%, a high value but supported by a persistent current account surplus, which reached 19.8% of GDP in 2023 (IMF, 2024). Total exports in 2024 were S\$1,167 billion (US\$892.2 billion), ensuring large and steady foreign exchange flows (SingStat, 2025).

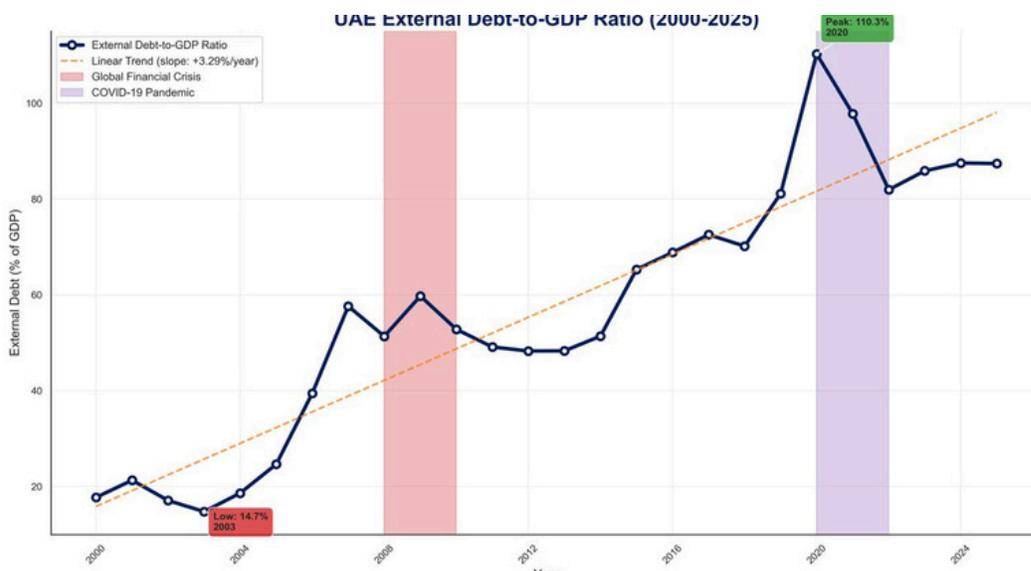
From a liquidity perspective, the available data is limited to servicing public debt, which accounts for only 0.08% of GDP and 0.05% of exports. This suggests an extremely low burden on the public sector, even if the overall external debt service figure (including private) is not available (SingStat, 2025). The main risk for Singapore is related to possible shocks in global financial markets or a slowdown in international trade, especially in the electronics and financial sectors.



Data source: SingStat data, projected to May 2025

In the UAE, total external debt in 2023 was US\$432.6 billion, or 85.8% of GDP (Federal Reserve Bank of St. Louis, 2024; Statista, 2024). This ratio, much lower than in Singapore, reflects an economic structure based on hydrocarbon exports and increasing diversification in services, tourism and construction. The external debt/exports ratio of goods and services is 67.4%, calculated on total exports estimated at US\$641.8 billion (Statista, 2024; UAE Ministry of Economy, 2024). The country benefits from strong oil revenues and sovereign assets more than US\$1 trillion, providing a robust financial cushion.

Detailed data on total external debt service are not available, but IMF reports point to a solid fiscal position and sustainable public debt (IMF, 2024). The main risks for the UAE stem from volatile oil prices and regional geopolitical tensions.



Data source: Federal Reserve Bank of St. Louis data, projected to May 2025

Indicator	Singapore	UAE
External Debt/GDP (%)	407% (2024)	85.8% (2023)
External Debt/Exports (%)	255% (2024)	67.4% (2023)

Data source: SingStat data, Federal Reserve Bank of St. Louis, IMF

## Foreign Direct Investment (FDI) Inflows

### Singapore

Over the past decade, Singapore has established itself as one of the world's leading destinations for FDI, with inflows reaching S\$192 billion (approximately US\$147 billion) in 2024, up 5.6% year-on-year (SingStat, 2025). The FDI/GDP ratio is 102%, among the highest globally. Investments mainly come from the United States (S\$50 billion), the European Union (S\$25 billion), the United Kingdom (S\$22 billion), Japan (S\$15 billion) and China (S\$11 billion). The financial and insurance sector accounts for 60% of total FDI, followed by professional and administrative services (SingStat, 2025). Singapore offers a highly favorable environment for investors thanks to political stability, regulatory transparency, advanced infrastructure, and a competitive tax regime. These elements, combined with its strategic position in Southeast Asia, strengthen the attractiveness of the country, which confirms itself as a regional hub for multinationals and institutional investors (IMF, 2024).

### UAE

In the UAE, FDI reached US\$31 billion in 2023, up from US\$22.7 billion in 2022, with a FDI to GDP ratio of 6% (World Investment Report, 2024). The country ranked second in the world for the number of greenfield projects (2,152 in 2023). The sector composition is more diversified than in the past, with investments in energy, financial services, tourism, logistics and technology. The main countries of origin for the Emirate of Dubai are Canada (26.5%), the United States (17.5%), Saudi Arabia (8.9%), the United Kingdom (8.2%) and India (5.5%) (Lloyds Bank, 2025).

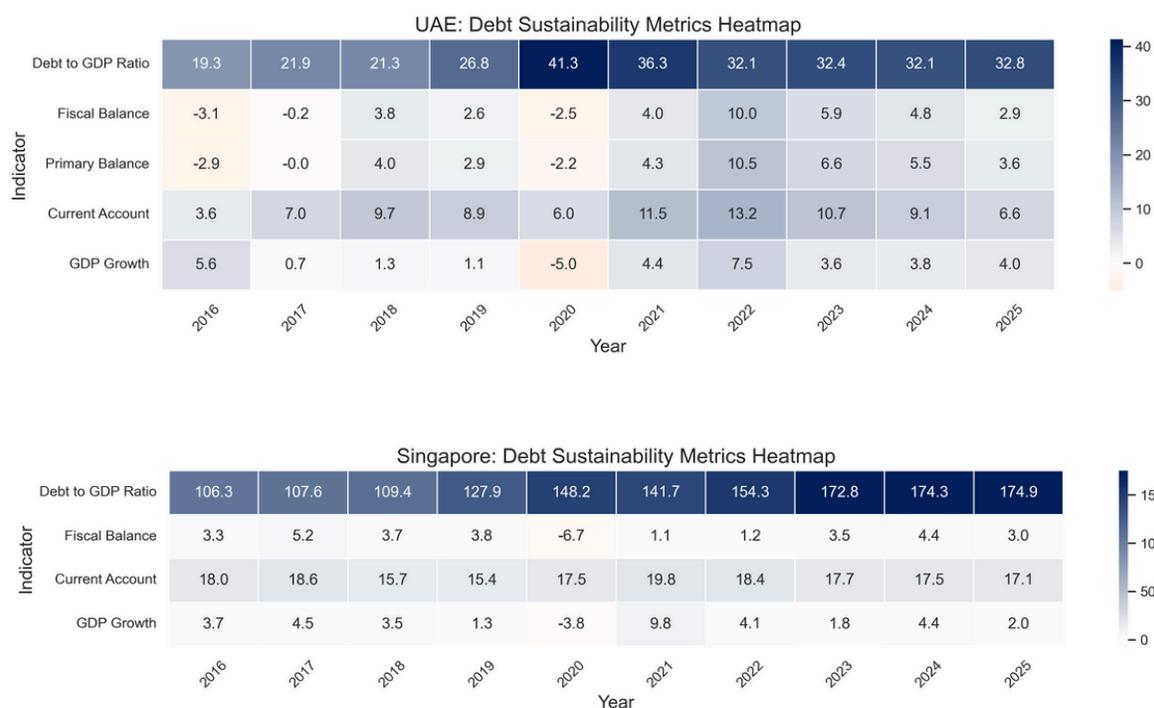
The UAE offers tax incentives, no restrictions on the repatriation of capital, and robust banking and logistics infrastructure. However, regulatory obstacles and a strong dependence on the hydrocarbon sector remain, which represent a structural limitation. Recent reforms aim to strengthen regulatory flexibility and attract investment in non-oil sectors, but regional geopolitical volatility remains a risk factor (IMF, 2024).

### Outlook

Singapore and the UAE both show a strong ability to attract foreign capital and support their external obligations, albeit with different models. Singapore stands out for its financial sophistication, net creditor position and structural resilience, even with high gross debt. The UAE, on the other hand, benefits from a smaller debt position and solid support from hydrocarbon exports and sovereign wealth funds, although it needs to accelerate economic diversification to mitigate oil-related risks.

For investors, Singapore represents a reference destination for high value-added financial and technology sectors, while the UAE offers opportunities in emerging sectors and greenfield projects, with competitive tax and infrastructure incentives. Both countries, however, require close monitoring of macroeconomic and geopolitical risks, in particular dependence on global trade (Singapore) and energy volatility (UAE).

## Debt Sustainability



The UAE demonstrates strong fiscal discipline with a positive fiscal balance in 2021, peaking at 10% in 2022. Singapore shows more modest but consistent fiscal surpluses post-2020, recovering from a -6.7% COVID-related deficit (citation needed).

Both countries maintain revenue exceeding expenditure in recent years from 2021 to 2025. The UAE's fiscal surplus is more substantial, creating stronger debt servicing capacity. Both countries project positive growth (UAE: 4.0%, Singapore: 2.0% by 2025). The UAE's slightly stronger growth provides better capacity to manage existing debt.

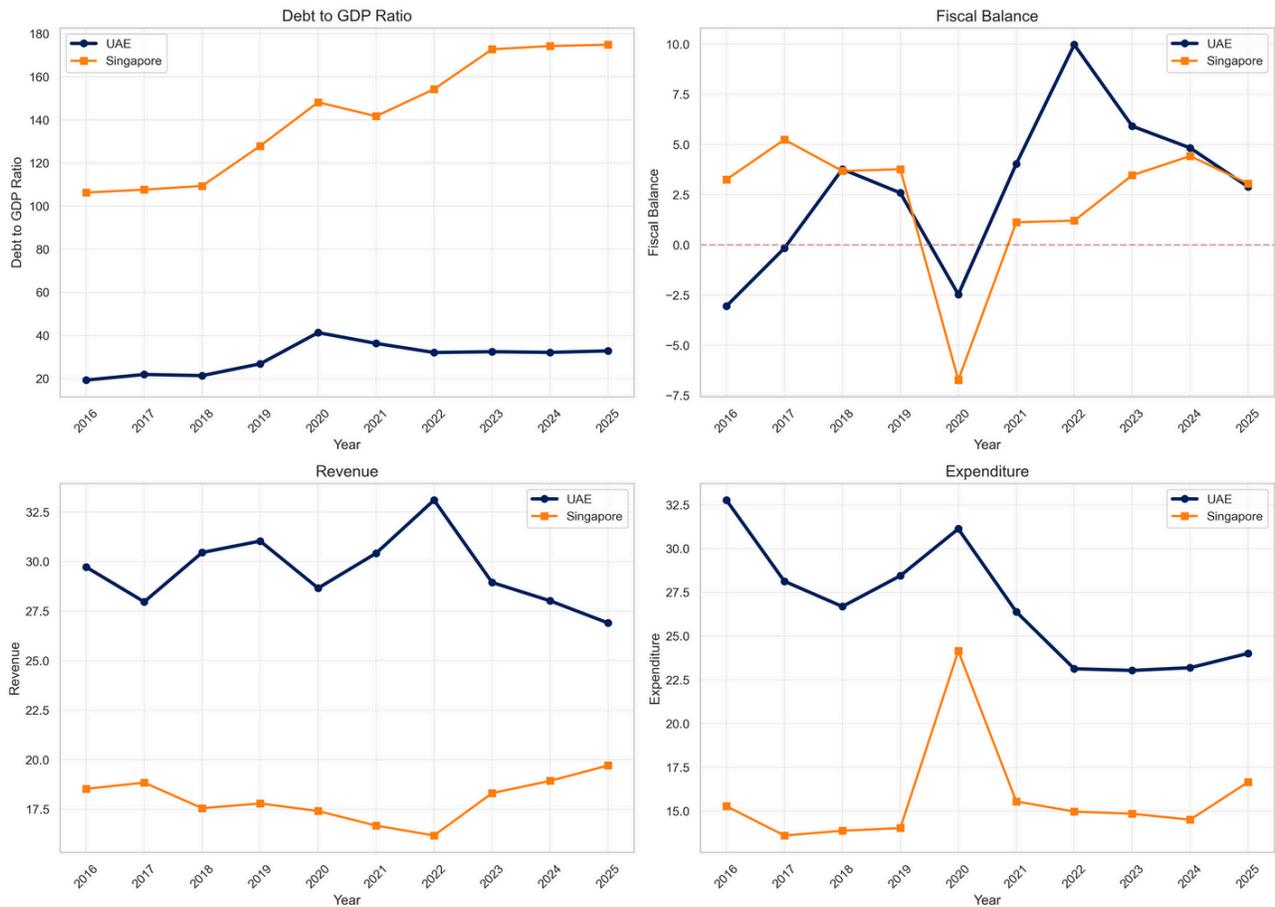
A low debt-to GDP ratio combined with fiscal surpluses indicates strong debt sustainability. A positive primary balance since 2021 means the UAE generates sufficient revenue to cover expenses before interest payments. Stable growth projections support continued debt serviceability.

Despite a high debt-to-GDP ratio, Singapore maintains consistent fiscal surpluses. Figure 1 shows fiscal discipline even with rising debt levels. Singapore's ability to maintain a positive fiscal balance despite high debt suggests a deliberate debt management strategy.

Comparatively, Singapore faces greater theoretical risk due to high debt-to-GDP ratio, but mitigates this through fiscal discipline. The UAE has a greater buffer against economic shocks due to lower debt burden. Both countries show responsible fiscal management post-pandemic, reducing sustainability concerns.

Both countries demonstrate sustainable but contrasting approaches to debt management. The UAE prioritizes low debt and higher fiscal surpluses. Singapore operates with higher debt levels but maintains disciplined fiscal balances and strong external position.

Debt Sustainability Analysis: UAE vs Singapore



## Conclusion

Singapore and the UAE present distinct yet complementary profiles for wealth management expansion, balancing institutional stability with strategic growth opportunities. This comparative country risk assessment has examined the macroeconomic and governance landscapes of Singapore and the United Arab Emirates (UAE), focusing on six key dimensions: socio-economic fundamentals, governance structures, service sector specialization, balance of payments, external position, and debt sustainability.

Singapore stands out for its highly developed, innovation-driven economy, with services accounting for over 72% of GDP and a significant focus on financial, digital, and legal sectors. Its sound macroeconomic management, proactive inflation targeting, and strategic investment in infrastructure and education underpin its long-term competitiveness. Despite a high gross external debt-to-GDP ratio, Singapore remains a net external creditor with strong foreign exchange inflows and deep financial markets. It maintains a robust external position and steady fiscal surpluses, reflecting mature institutional governance and global investor confidence.

The UAE presents a dynamic but structurally distinct model. Its economic diversification has progressed rapidly, with non-oil sectors now accounting for 70% of GDP, supported by major investments in tourism, logistics, and real estate. Abu Dhabi's energy wealth and Dubai's services orientation form a dual economic engine. While data gaps remain in external and debt service indicators, the UAE benefits from strong sovereign wealth assets, low debt ratios, and growing foreign direct investment. Governance remains centralized under a federal monarchy with streamlined decision-making, although transparency and institutional independence lag behind Singapore.

### **Recommendation for a hypothetical Wealth Management Firm:**

1. Regional HQ in Singapore: Establish a fully operational office to leverage its institutional strength, deep liquidity pools (\$1.24 trillion banking assets), and gateway status to Asian markets. Target high-net-worth clients in fintech, ESG finance, and cross-border wealth management, supported by MAS's pro-innovation stance.
2. Representative Office in Abu Dhabi: Position strategically to capture Middle Eastern diversification trends, including sovereign wealth fund partnerships (e.g., Mubadala) and green energy projects. Limit initial exposure to mitigate regional geopolitical risks and currency rigidity, while capitalizing on UAE's 4.5% growth forecast and tax-efficient frameworks.

This dual approach balances Singapore's stability with the UAE's growth potential, aligning with risk exposure of the sector and the market opportunities.

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# Anexes

## Singapore vs UAE: Comparative Indexes (2023-2025)

Governance Indexes				
Index Name	Singapore Score	UAE Score	Source	Year
Bertelsmann Transformation Indexes: Governance Index	6.99/10	6.55/10	BTI report	2024
Chandler Good Government Index (CGGI)	1st in the world	9th in the world	Chandler Institute of Governance	2025

Political Indexes				
Index Name	Singapore Score	UAE Score	Source	Year
Bertelsmann Transformation Indexes: Political Transformation	5.47/10	4.10/10	BTI report	2024
Freedom House Score	48/100 ("Partly Free")	18/100 ("Not Free")	Freedom House report	2025
Cato Institute Human Freedom Index	7.85/10	5.90/10 (119th)	Cato Institute report	2024
Corruption Perception Index (CPI)	84/100 (3rd)	68/100	Transparency International	2024
Global Peace Index	1.339	1.897	Institute for Economics & Peace	2024
Democracy Index	6.18	3.07	Economist Intelligence Unit	2024

Sociopolitical Indexes				
Index Name	Singapore Score	UAE Score	Source	Year
Gini Index	0.38	0.25	Forecast (World Bank/national statistics)	2025
Human Development Index (HDI)	0.946	0.940	UNDP	2023
Walk Free Global Slavery Index	2.1	13.4	Walk Free	2023 (2021 data)

### Index Interpretation Notes:

- For most indexes, higher scores indicate better performance (Bertelsmann, CGGI, Freedom House, Cato, CPI, HDI)
- For Global Peace Index, lower scores indicate more peaceful conditions
- For Gini Index, lower scores indicate less income inequality
- For Global Slavery Index, lower scores indicate less prevalence of modern slavery