

Comments on Dubai's Indebtedness in Bloomberg, 17 Sep 2020

Dr. Nasser Saidi's comments appeared in the Bloomberg article titled "[Dubai May Be as Indebted as South Africa If S&P Proves Right](#)", published 17th September 2020.

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By drawing the line around what Dubai considers its direct liabilities, the government is sending a message that it won't be held responsible for other debt, said Nasser Saidi, who worked as chief economist of the Dubai International Financial Centre during the city's debt crisis. By contrast, rating companies have to adopt the view of an external investor, which means taking all liabilities into account.

"Creditors will always try to claim the sovereign guarantee," he said. "Claiming under a sovereign guarantee is less costly and potentially less protracted than trying to claim against companies."

When it comes to borrowings from commercial banks, Saidi said some of the money may be offset by government deposits, since there is usually a working relationship between authorities and lenders. Dubai's biggest bank, Emirates NBD PJSC, reported its aggregated sovereign loan exposure at almost 162 billion dirhams as of June 30.

The lesson of Dubai's brush with default in 2009 is that creditors failed to show the government's guarantee, but the risk of spillover and damage to the creditworthiness of the UAE as a whole prompted Abu Dhabi to intervene, Saidi said. Dubai has since set up a public debt office to monitor the borrowings of the GREs, especially their foreign-currency liabilities.