

## UAE Foreign Flows

18 January 2023

### Net foreign flows into UAE equities reached AED 28.6bln in 2022, up 66% YoY

- Net foreign flows into UAE secondary market reached AED 28.6bln in 2022, including IPO participation the inflows reached AED 41.2bln. ADX stocks saw high secondary market flows whilst Dubai stocks saw high primary market flows
- Both ADX and DFM saw higher net foreign inflows in 2022 vs. 2021, on the back of stronger economic growth, rising UAE weight in MSCI EM Index and increase in number of IPO listings in 2022
- ADX has received net foreign inflows for 7 out of last 8 years, we think this positive momentum is likely to continue in 2023e, strong growth momentum and structural reforms in UAE should continue to attract foreign inflows

**UAE secondary market net foreign inflows reached AED 28.6bln in 2022**, 66% higher compared to AED 17.2bln in 2021. Adding foreign participation from the primary market, the total foreign inflow crossed AED 41.2bln in 2022. Majority of these inflows were into ADX listed equities, however in the primary market foreigners invested more in the DFM listed stocks. This was the second consecutive year of net foreign inflows in the UAE secondary market.

**DEWA saw the biggest primary market foreign inflows of AED 6.3bln in 2022**, however half of these flows have already exited in the secondary market. Borouge, Salik, and Empower are the other IPOs that saw high foreign participation.

**In the secondary market**, Alpha Dhabi, Q Holding, FAB, EAND and Emaar were the top stocks to see high foreign interest. Net foreign inflows in each of these stocks was above AED 2.5bln in 2022. ADX saw the highest ever secondary market net foreign inflows in 2022, and have seen foreign inflows for seven out of last eight years. US investors and UAE passport holders staying aboard were the biggest investors in ADX equities for the second consecutive year.

**Increase in UAE weight in MSCI EM index** also resulted in an increase in net foreign inflows into UAE listed stocks. UAE weight in MSCI EM index has jumped three folds to 1.5% at the end of Nov 2022, from 0.5% at the start of 2021. Number of index constituents in MSCI UAE has increased to 11, from 9 earlier. Q Holdings and Multiply are the latest inclusions in the MSCI UAE Index.

**We think net foreign inflows in UAE equities is likely to continue in 2023.** UAE economy is expected to grow at 4.2% in 2023, down from 5.1% in 2021 but higher than its historical average of 3.0%. Non-oil business activities in UAE, as reflected by UAE non-oil sector PMI, suggest that economy remains strong despite rapid rise in interest rates, whilst in the US manufacturing sector is already under pressure, with US ISM manufacturing falling below 50. We think structural reforms implemented by the UAE government, including changes in Visa norms, unemployment insurance scheme, increase in foreign ownership limit in UAE corporates and implementation of new UAE corporate tax law, should continue to support the UAE economic momentum in the near term.

Strong economic momentum supported by rising foreign participation in the UAE equities led ADX to outperform all major global equity markets in 2022, yielded 20% dollarized returns.

#### Top 10 stocks with net foreign inflows

AED mln	1H22	1H22	FY22
Alpha Dhabi	2,211	3,807	<b>6,018</b>
Q Holding	217	3,526	<b>3,743</b>
FAB	3,465	(155)	<b>3,310</b>
EAND	2,831	292	<b>3,123</b>
Emaar	1,352	1,453	<b>2,806</b>
Multiply	571	1,596	<b>2,166</b>
ADCB	827	629	<b>1,456</b>
DIB	709	662	<b>1,372</b>
ADIB	605	563	<b>1,168</b>
ADNOC Dist.	457	593	<b>1,050</b>

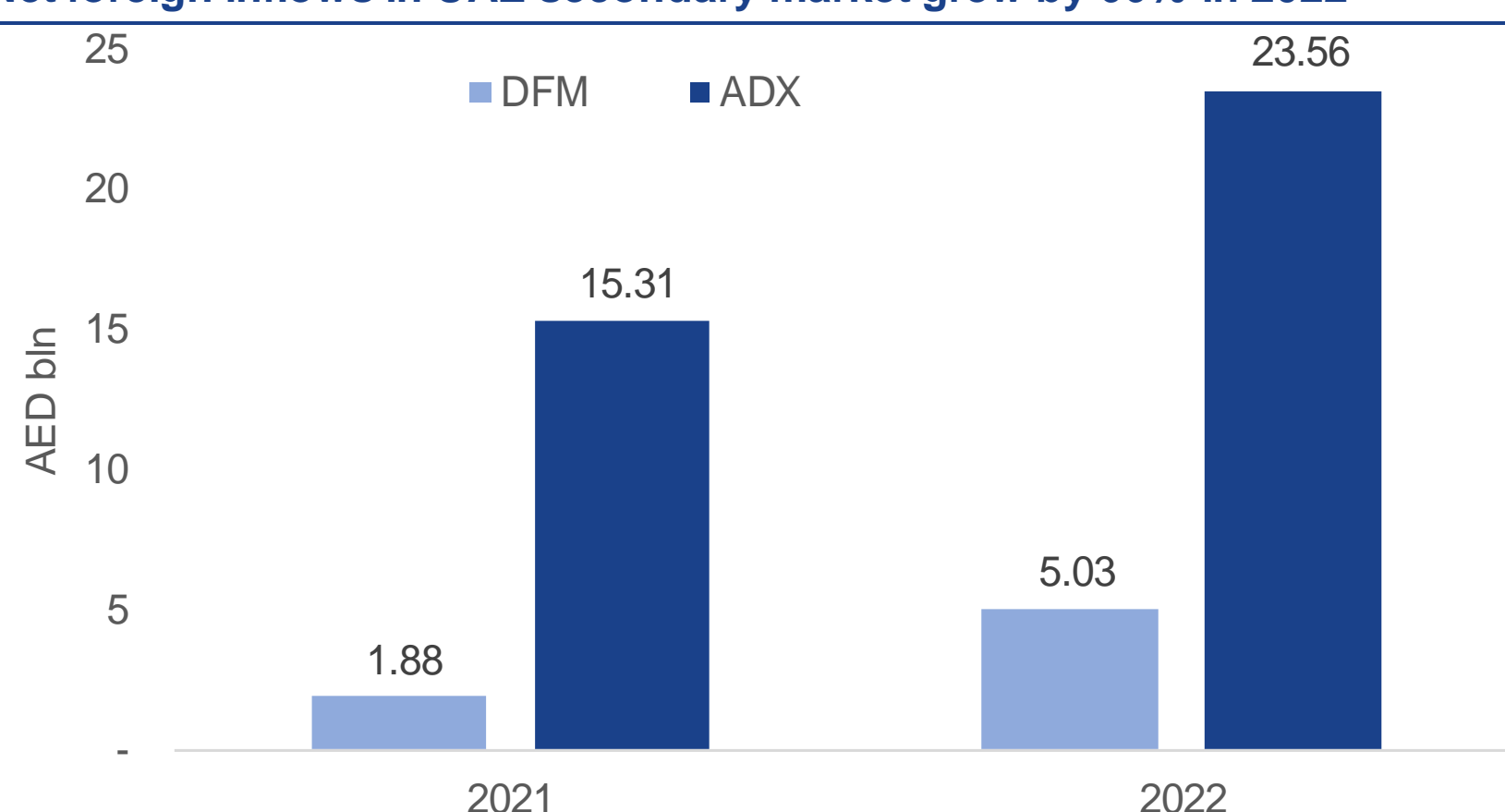
Source: ADX, DFM, IS Research. Note: net foreign inflows represent net buying by non-UAE residents in UAE secondary market in 2022

#### Top 10 stocks with net foreign outflows

AED mln	1H22	1H22	FY22
Dewa	(641)	(2,647)	<b>(3,288)</b>
Apex	(2,657)	280	<b>(2,377)</b>
IHC	(275)	(772)	<b>(1,047)</b>
Borouge	(400)	(339)	<b>(739)</b>
Yahsat	(79)	(145)	<b>(224)</b>
Aramex	10	(163)	<b>(154)</b>
RAKBANK	(14)	(138)	<b>(152)</b>
DIC	(73)	(42)	<b>(115)</b>
RAKCEC	(27)	(30)	<b>(57)</b>
DFM	(81)	33	<b>(48)</b>

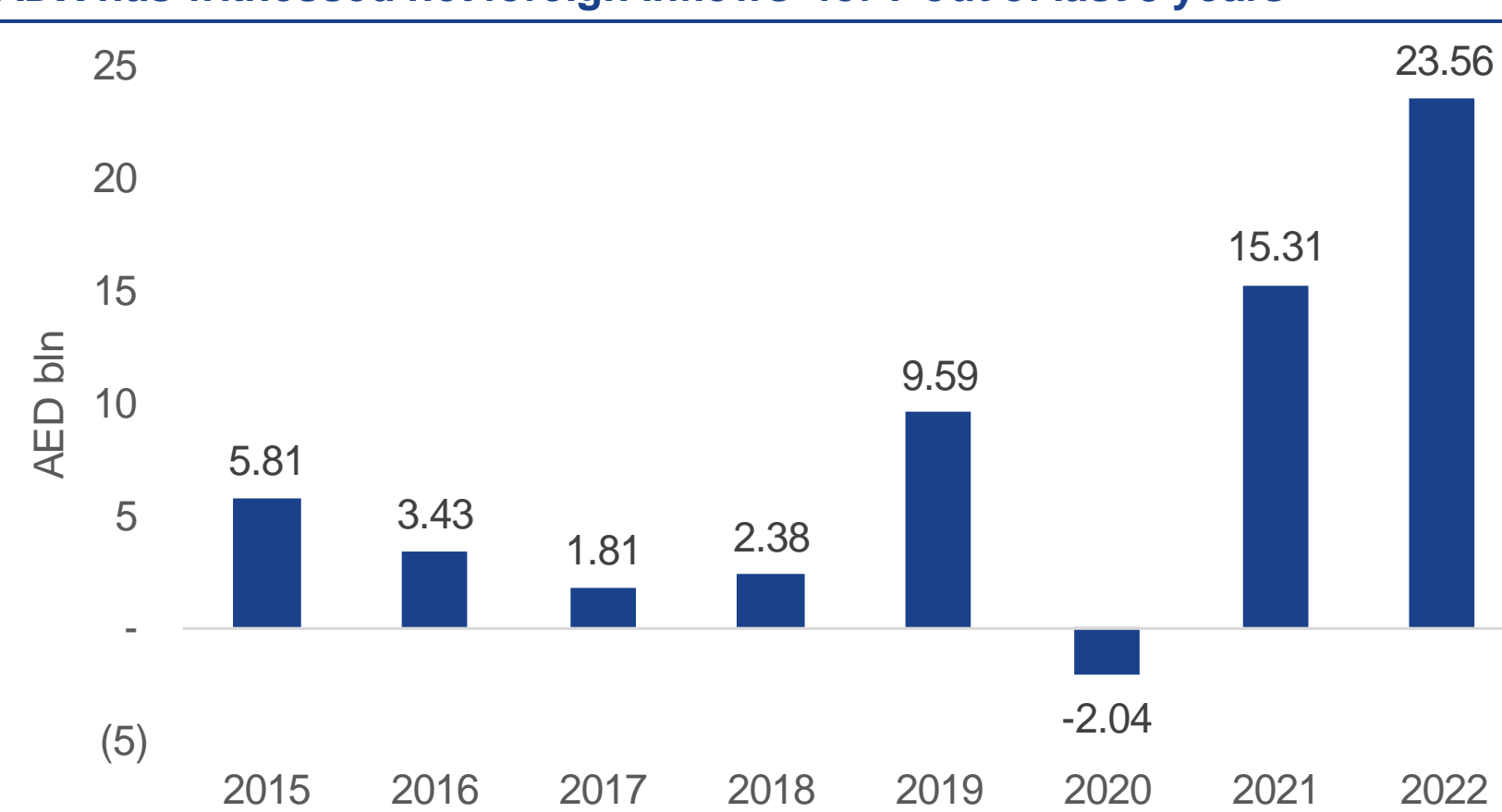
Source: ADX, DFM, IS Research. Note: net foreign outflows represent net selling by non-UAE residents in UAE secondary market in 2022

#### Net foreign inflows in UAE secondary market grew by 66% in 2022



Source: ADX, DFM, IS Research

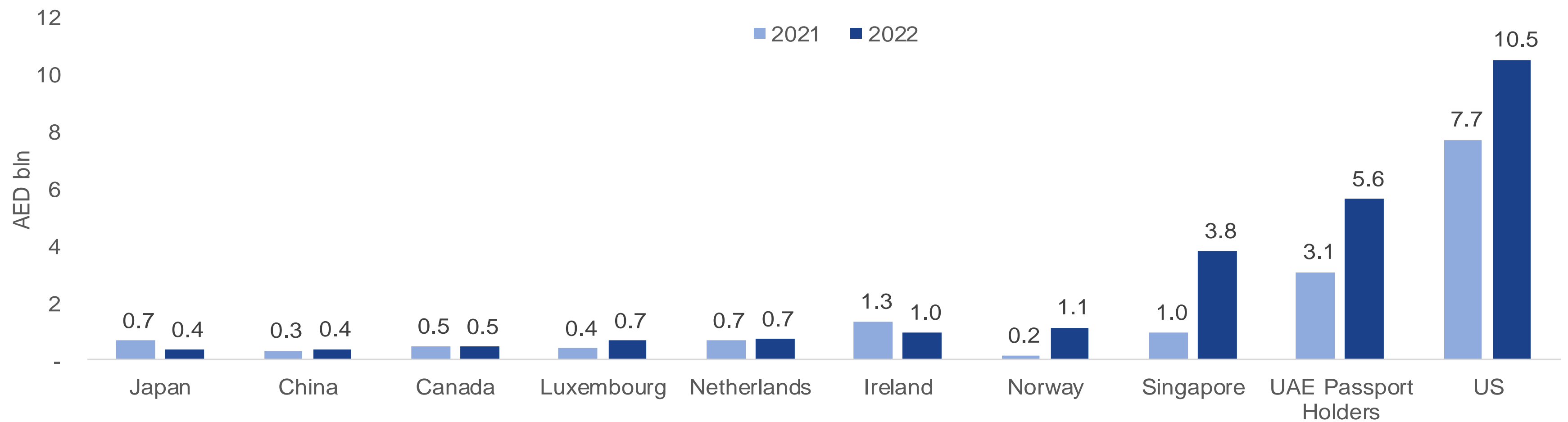
#### ADX has witnessed net foreign inflows\* for 7 out of last 8 years



Source: ADX, IS Research. \*net foreign inflows represents net buying by non-UAE residents in secondary market

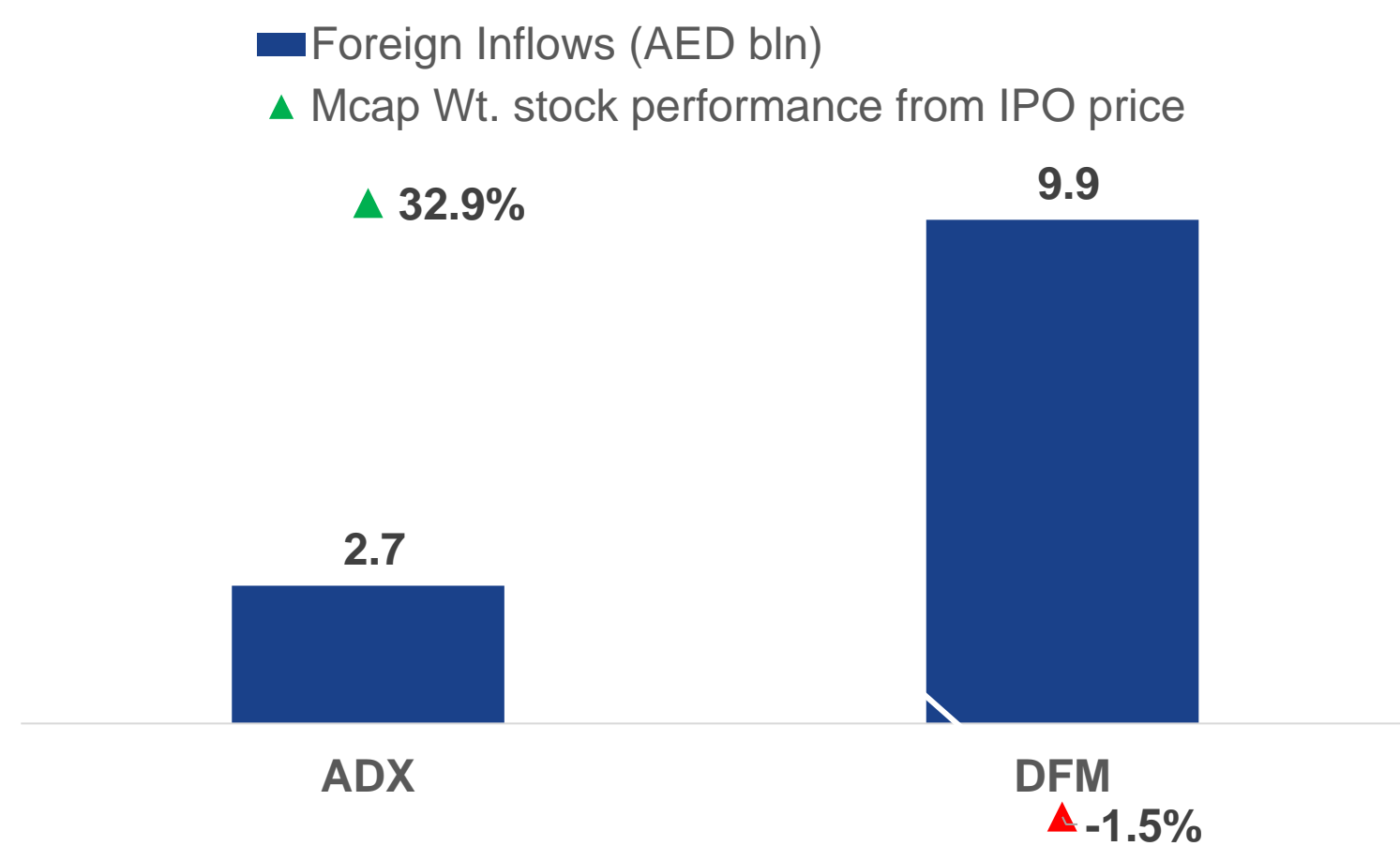


US citizens and UAE passport holders (staying abroad) were the dominant foreign investors in ADX for the second consecutive year



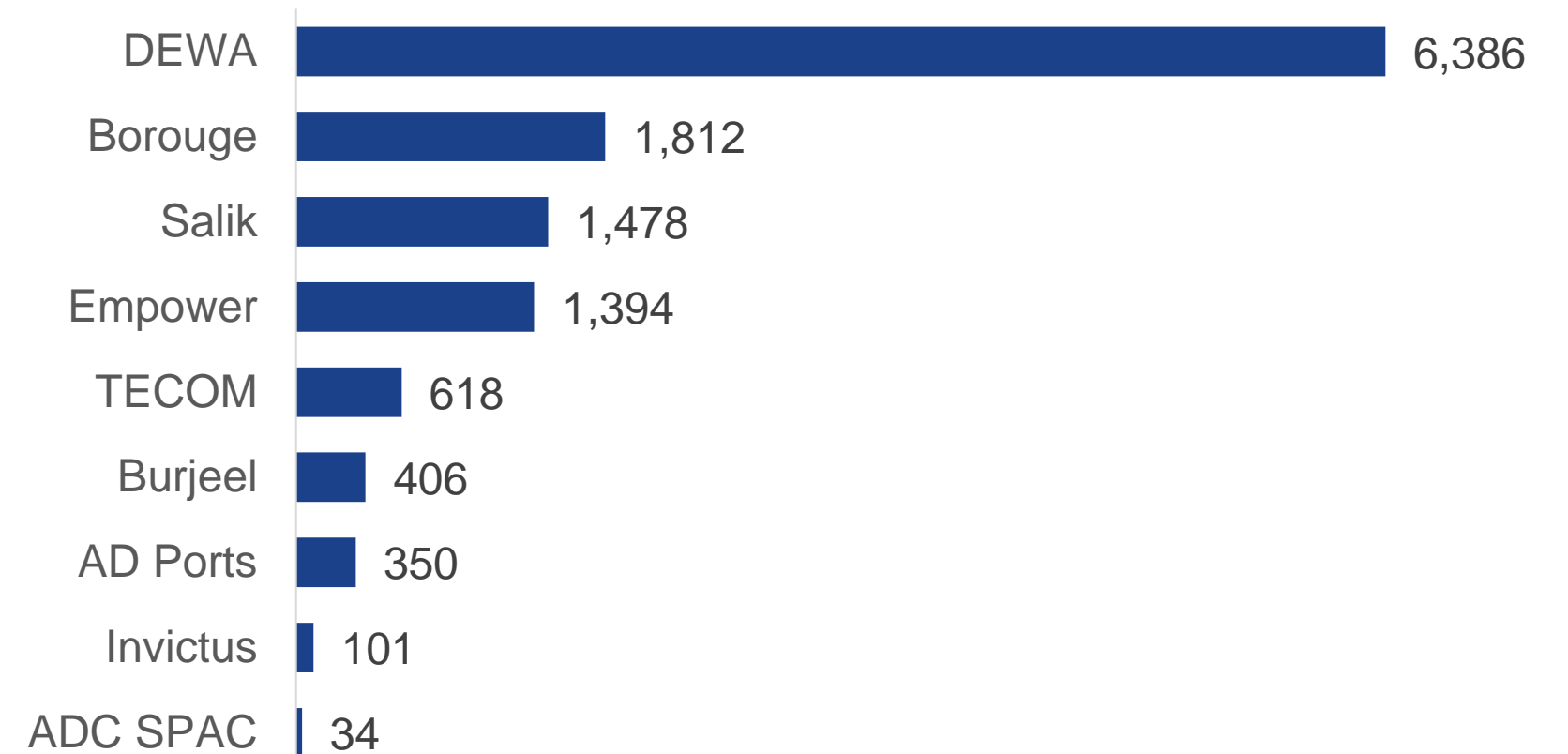
Source: ADX, IS Reseeearch

Foreign inflows in UAE IPOs in 2022



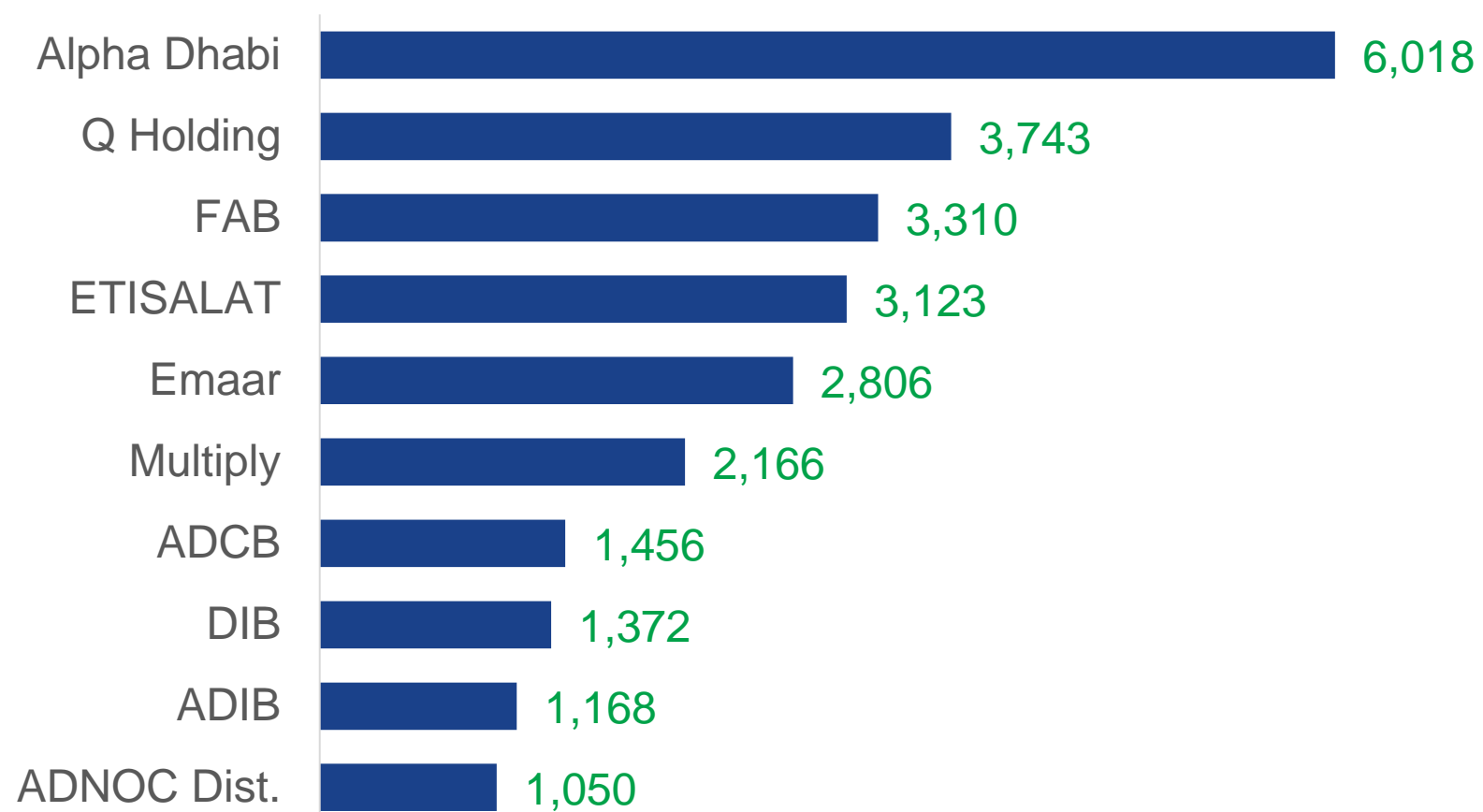
Source: Refinitiv, IS Research. ADX IPO includes ADPorts, ADC, Borouge, Invictus and Burjeel. DFM IPO includes DEWA, TECOM, Salik and Empower. Priced as of 16 Jan 2023

Foreign inflows in UAE IPOs in 2022 (AED mln)



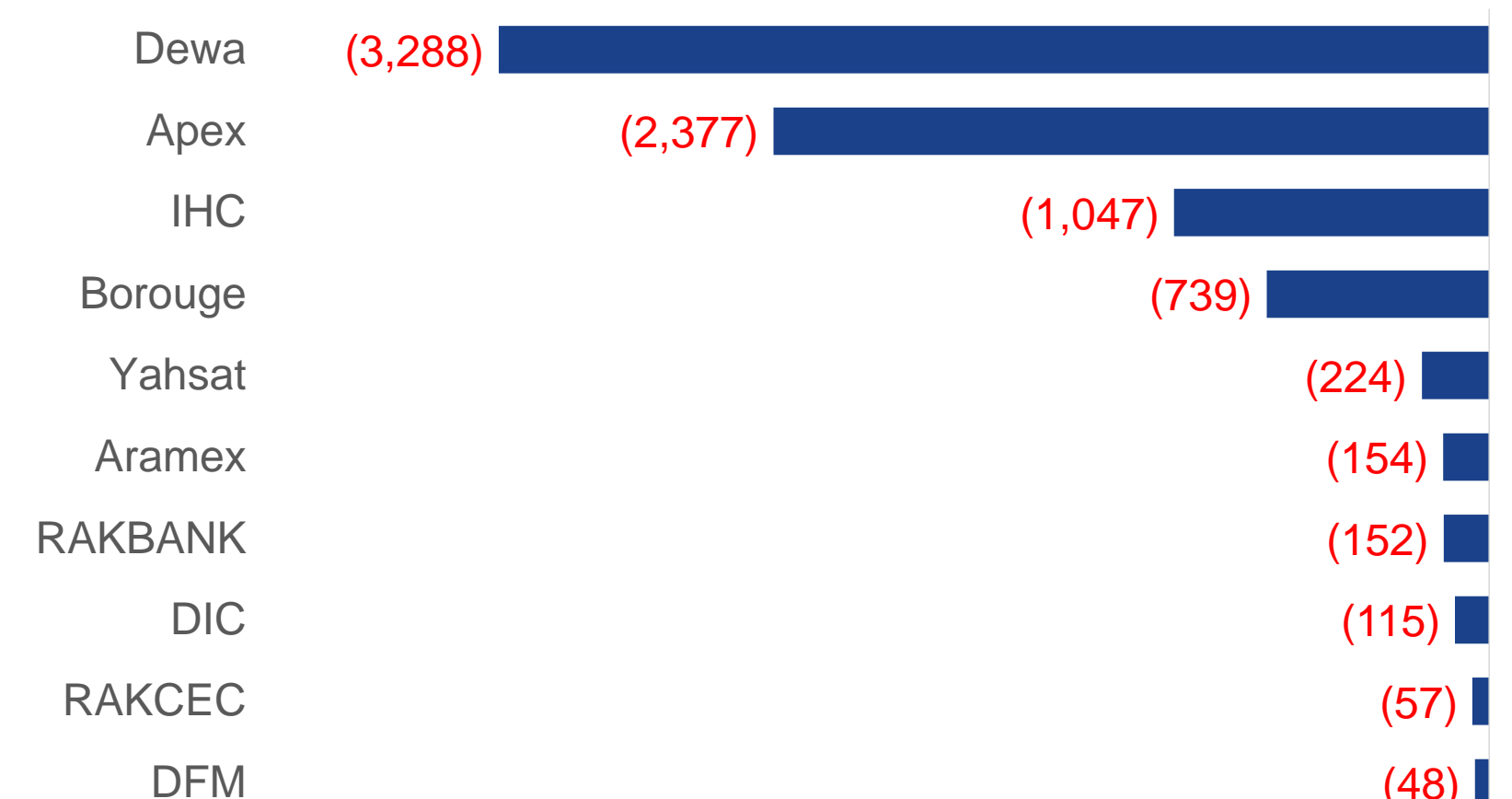
Source: Refinitiv, IS Research. \*Net foreign participation in UAE stock is ascertain using non-UAE ownership in the stock on the day of listing and the IPO issue price

Net foreign inflows (AED mln) in UAE secondary market in 2022



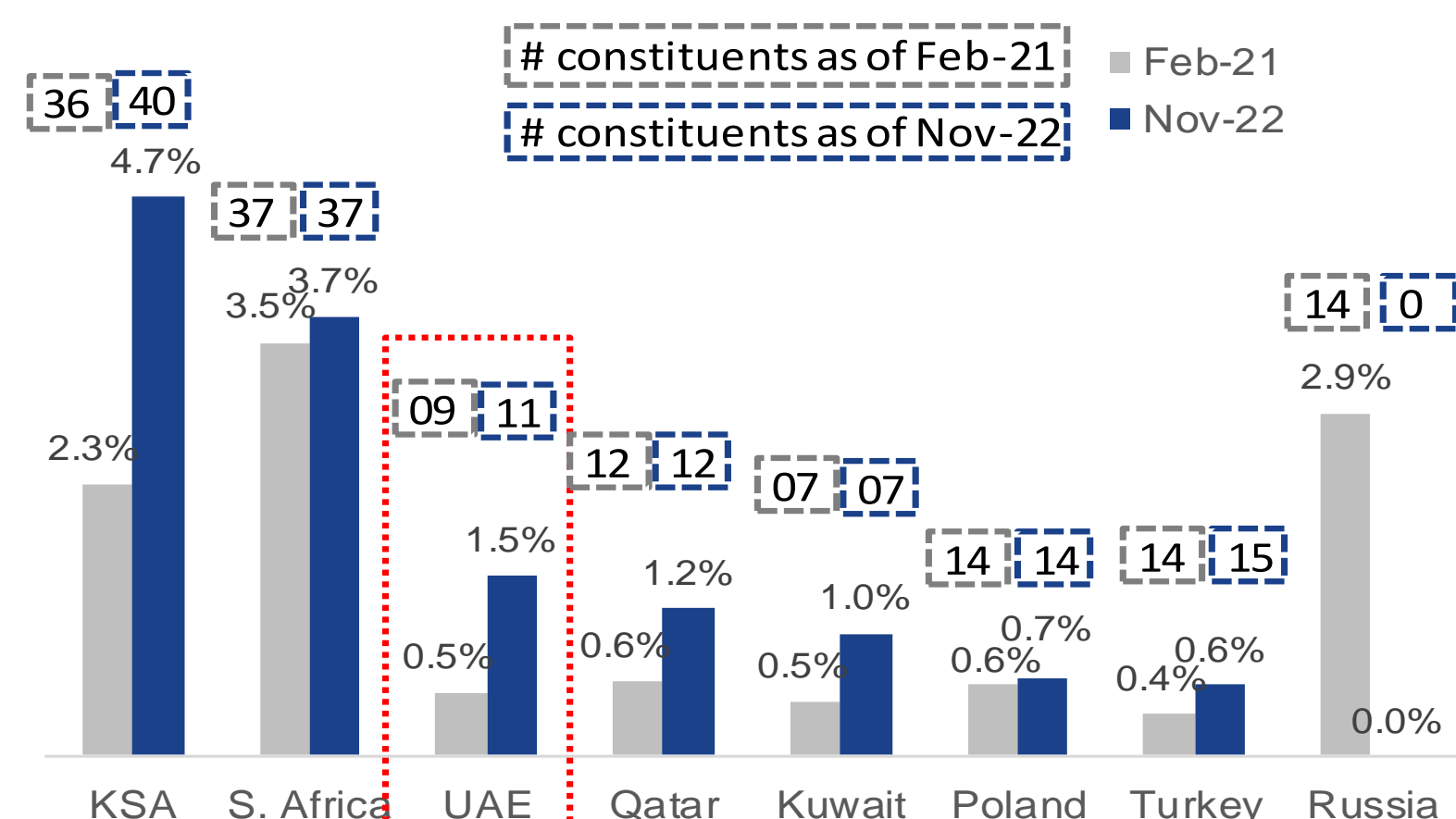
Source: Refinitiv, IS Research.

Net foreign outflows (AED mln) from UAE secondary market in 2022



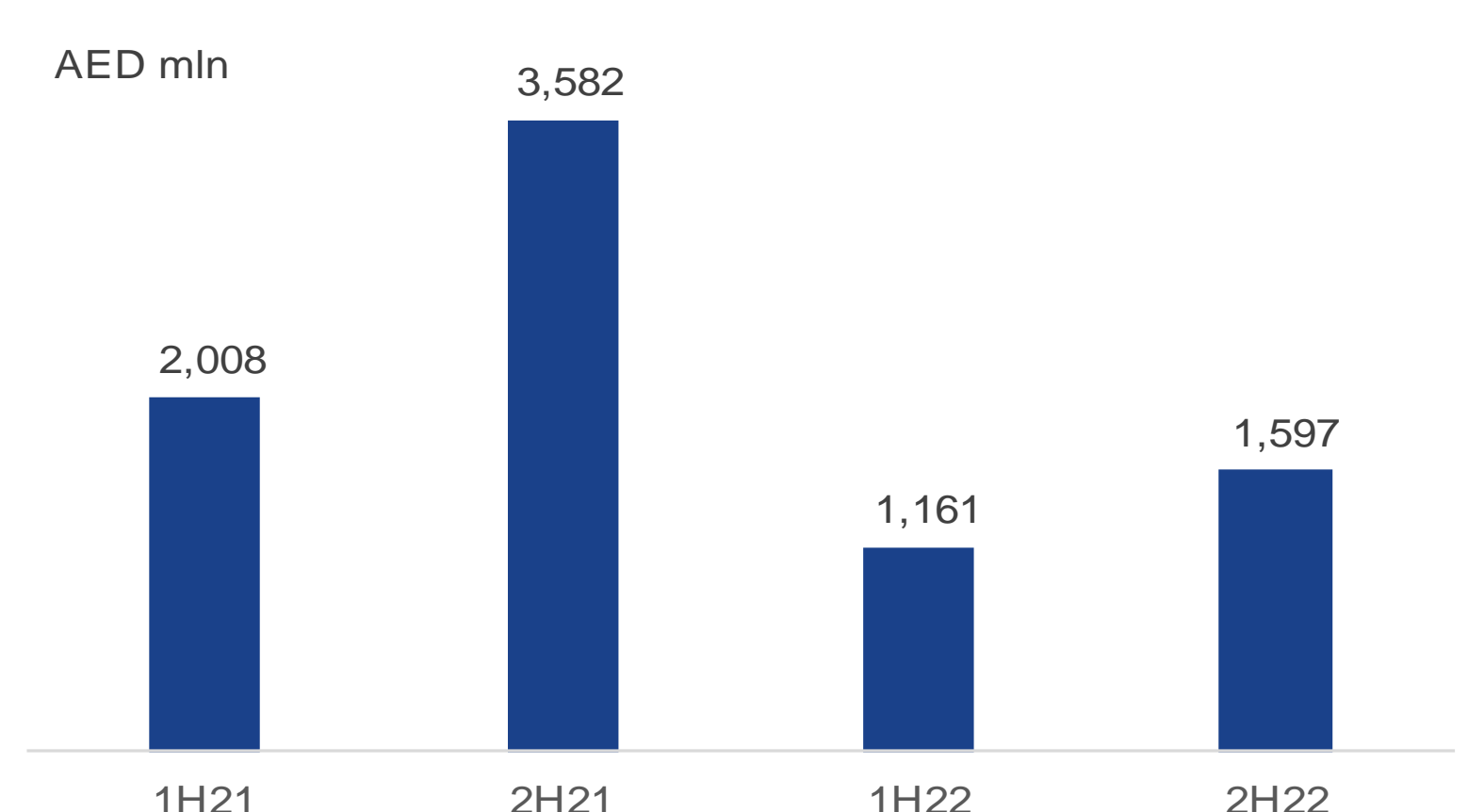
Source: Refinitiv, IS Research.

Change in country index weight within MSCI EMEA



Source: MSCI, IS Research

Inflows in UAE stocks as a result of MSCI index rebalancing



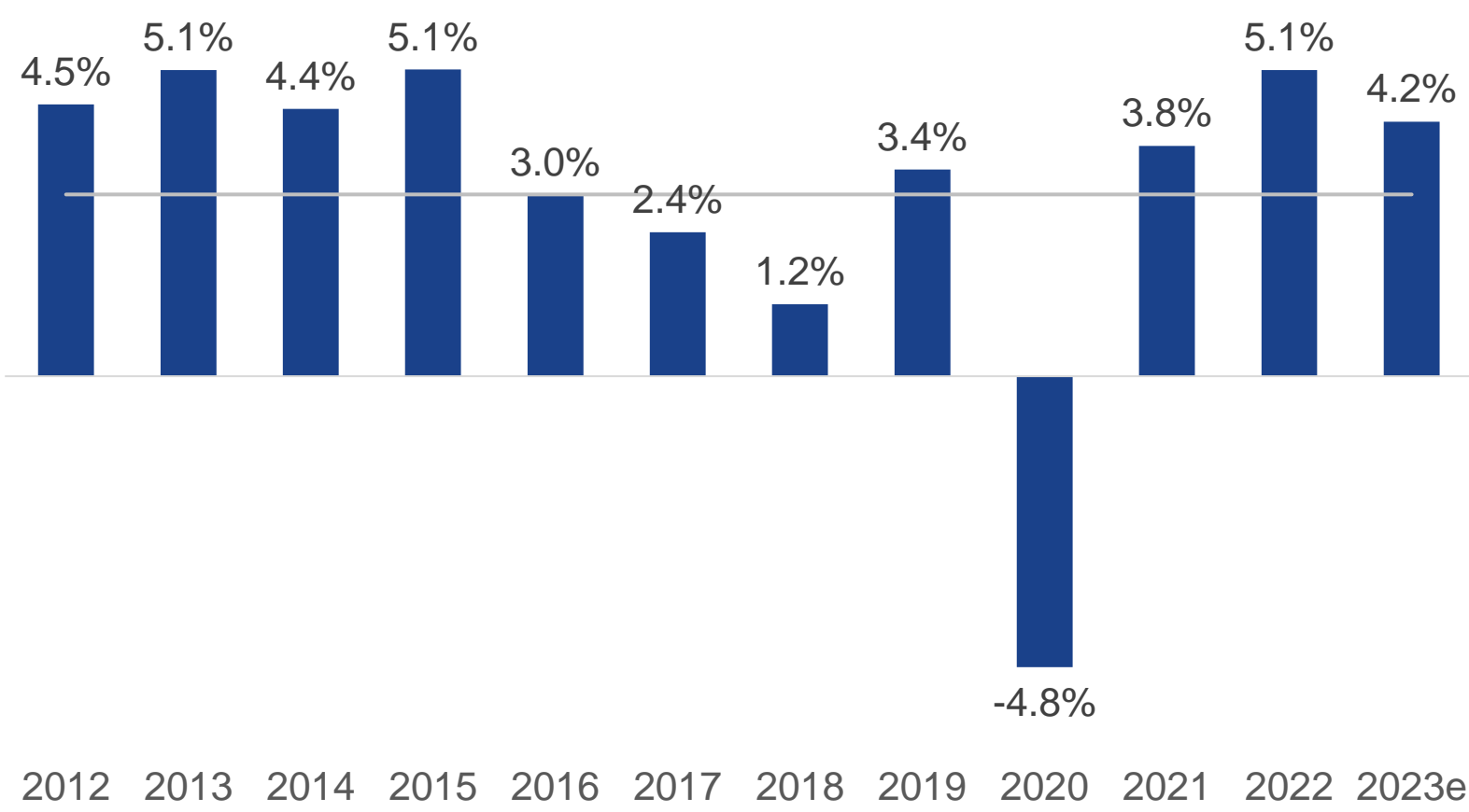
Source: MSCI, IS Research. Note: Inflows are IS Research estimates





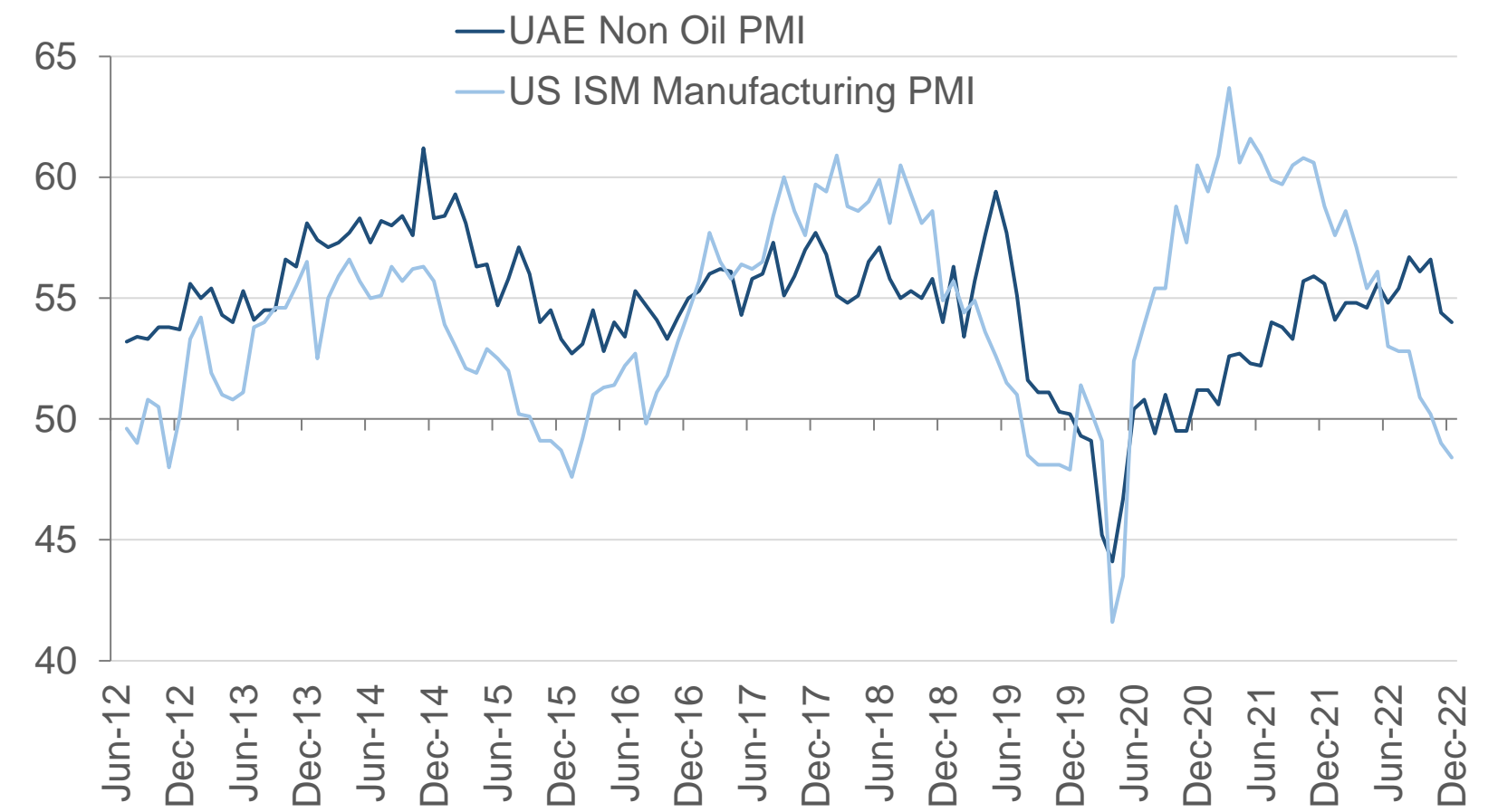


#### UAE GDP expected to grow faster than the average in 2023



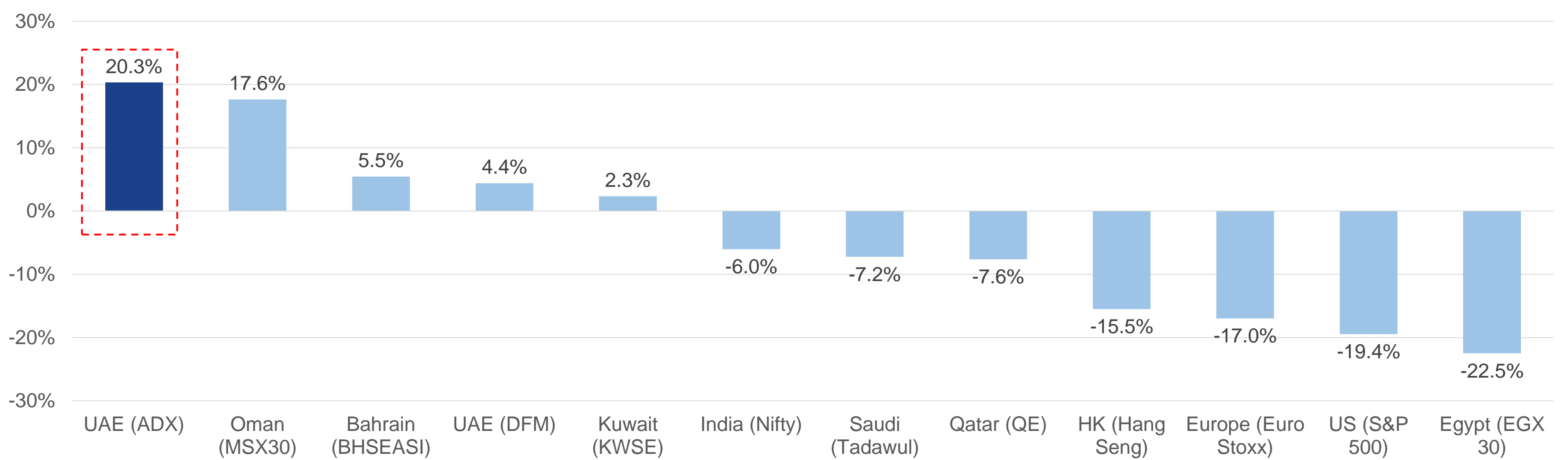
Source: IMF, IS Research.

#### UAE non-oil sector PMI is holding up despite rapid rate hikes



Source: Refinitiv, IS Research.

#### ADX was amongst the best performing market globally, yielded 20% dollarized returns in 2022



Source: Refinitiv, IS Research

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