United Arab Emirates



							Forecast	
	2020	2021	2022	2023	2024	2025	2026	2027
GDP growth (%)	-8.7	4.6	7.5	4.3	6.6	6.2	-3.9	7.7
Inflation, CPI (%)	-2.1	-0.1	4.8	1.6	1.7	1.3	4.5	2.5
Fiscal balance (% of GDP)	-2.4	4.0	9.8	5.8	6.2	3.9	1.5	4.4
Primary fiscal balance (% of GDP)	-2.1	4.3	10.3	6.5	6.7	4.6	2.3	5.3
Public debt (% of GDP)	30.1	35.7	31.5	31.9	33.2	33.9	32.8	30.8
Reference rate (%)*	0.6	0.2	4.4	5.4	4.4	3.7	3.9	3.9
Exchange rate (AED/USD)*	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7
Current balance (% of GDP)	5.9	11.4	13.0	13.9	15.0	13.3	4.8	7.8
External debt (% of GDP)	115.2	106.7	86.7	93.1	96.1	107.3	97.0	91.1

Note: *Annual averages used for all variables.
Source: CaixaBank Research, based on data from LSEG Datastream and IMF forecasts (WEO, October 2026).

Outlook

Following two years of robust growth, the economy of the United Arab Emirates (UAE) got off to a strong start in 2026, recording year-on-year growth of 3.0% in Q1, buoyed by the strength of non-oil GDP (+4.8% year-on-year). However, the outbreak of conflict in the Middle East led to a contraction in economic activity in Q2, causing GDP to virtually stagnate over the first half of the year compared with the same period in the previous year (+0.4% year-on-year). Nevertheless, in recent years, non-oil GDP growth has outpaced the rest of the economy, mostly driven by the logistics, real estate and financial sectors. This confirms that the strategy to diversify the economy is yielding results and that dependence on the extractive sectors is decreasing. This diversification is reflected in the decline in the oil sector's share of GDP, which fell from around 50% in the 1990s to 15% in recent years.

The short-term outlook continues to be overshadowed by the conflict between Iran and the US, the impact of which remains particularly acute in the Gulf region, due to disruptions to regional trade and the energy market. Furthermore, the UAE is facing a double negative shock in the short term: disruptions to export revenues and restrictions on imports, which are exerting downward pressure on growth and upward pressure on inflation. Indeed, after growth exceeded expectations in 2025, in its October report the IMF revised its 2026 growth forecast for the country's economy downwards (–3.9% vs. 3.1% in the April WEO) and its inflation forecast upwards (to 4.5% vs. the previous 2.5%).

Against this backdrop, although instability in the region continues to shape the short-term macroeconomic picture, the medium-term outlook for the UAE economy is favourable. The country is stepping up strategic investments that will improve the economy's ability to cope with a more uncertain global environment, e.g. for the construction of a new oil pipeline to the Port of Fujairah, which will double the country's export capacity via this route (scheduled for completion in 2027). Furthermore, its official withdrawal from OPEC may allow it to export more crude oil than was permitted by the production quotas set by the cartel, once trade flows in the region have returned to normal. Meanwhile, non-oil trade in goods and foreign direct investment (FDI) stocks have grown significantly in recent years. Specifically, FDI stocks have accounted for nearly 50% of GDP in the UAE in recent years, above the average for Gulf countries (around 30%). Within its long-term investment strategy, the country aims to double inward FDI flows by 2031, as part of its transition towards a technology- and services-intensive economy.

Closing date of this edition: 11 November 2026

Exchange rate

The dirham's peg to the dollar has historically anchored inflation expectations, although supply chain disruptions caused by the war will continue to push prices upwards in the short term. Furthermore, against a backdrop of tensions in Gulf financial markets, the exchange rate peg acts as a pillar of confidence, preventing further volatility.

The real effective exchange rate depends on the dollar's trajectory and the country's inflation differential. As such, the depreciation of the dollar since the start of 2025, amid a lower safe-haven premium, could continue to weaken the real exchange rate in the medium term.

Economic policies

Monetary policy. The Central Bank of the UAE (CBUAE) follows the monetary policy of the US Federal Reserve, as the dirham is pegged to the dollar. Consequently, it raised its reference rate to 3.9% (from 3.65%) in September 2026, in line with the Fed's decision. At the height of the war with Iran in 2026, the Central Bank adopted emergency measures, such as a special liquidity package for the banking system, in response to rising geopolitical tensions that had triggered liquidity outflows. These measures helped to stabilise the markets and bolster confidence in the country's financial system, despite the mounting risks.

Fiscal policy. Budgets remain balanced, reflecting the UAE authorities' prudential fiscal strategy in an adverse geoeconomic environment. Furthermore, the main sovereign wealth funds (ADIA and Mubadala) provide a substantial buffer against any deterioration in the macro-financial environment, thereby creating scope for countercyclical policies With assets estimated at over 400% of GDP, the country is able to sustain spending – despite falls in oil revenues – boost domestic investment and fund strategic projects, although a prolonged disruption in the region would pose a risk to the country's economy.

Risks

The main risk to the UAE's economy remains geopolitical in nature. An escalation of the conflict between Iran and the US, a prolonged closure of the Strait of Hormuz or further disruptions to regional trade flows would have a significant impact on an economy that is highly integrated into international trade and transport networks. In addition to the direct impact of such events on hydrocarbon exports and the supply of imports, a prolonged deterioration in regional security could weaken foreign investment and tourism flows – two areas that have grown in importance as the country's economic diversification has gained momentum.

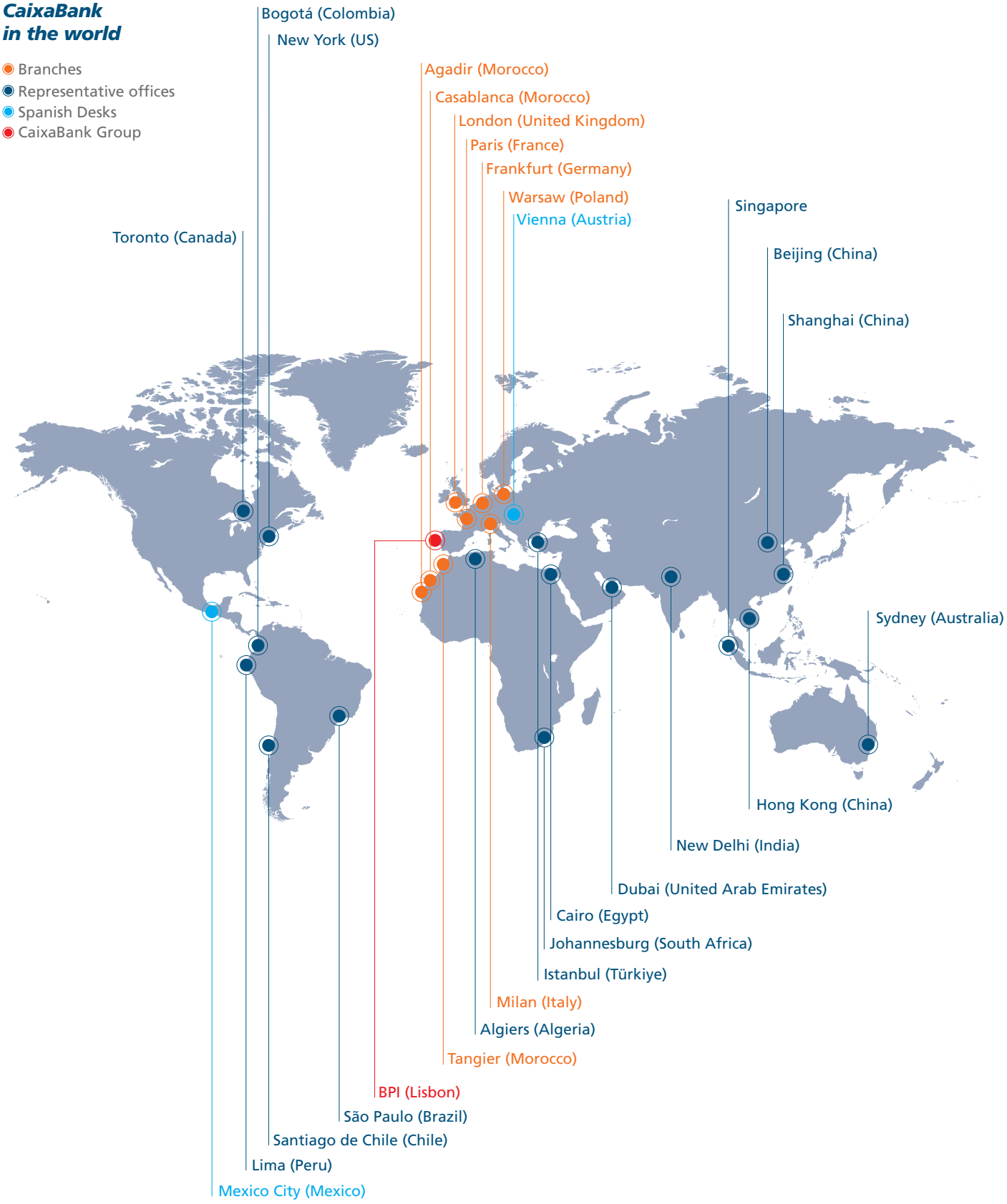
These risks are compounded by exposure to developments in the oil market. The strategy of maximising crude oil production and exports once regional flows have normalised provides scope for the country to recover revenues, but it could also fuel oversupply and downward pressure on prices if other major producers were to adopt a similar strategy. This vulnerability is particularly significant because, although the oil sector's share of GDP has fallen considerably, public revenues remain heavily dependent on hydrocarbons. The global energy transition also adds an element of structural uncertainty regarding this source of revenue in the long term, as does the fragmentation of international trade, which could weaken the country's role as a global logistics hub, despite its extensive network of diplomatic relations.

Sovereign credit rating				
Rating agency	Rating*	Last changed	Outlook	Last changed
STANDARD &POOR'S	AA	17/06/25	Stable	17/06/25
MOODY'S	Aa2	05/10/21	Stable	05/10/21
FitchRatings	AA-	30/09/21	Stable	22/05/26

Note: *A shaded cell indicates «investment grade» and an unshaded cell indicates «speculative grade».

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