UNITED ARAB EMIRATES

Population[1] million	Poverty
11.2	..
Life expectancy at birth[2] years	**School enrollment[3]** primary (% gross)
82.9	108.0
GDP[4] current US$, billion	**GDP per capita[5]** current US$
585.4	52063.3

Sources: WDI, MFMod, and official data. 1/ 2025. 2/ 2023. 3/ 2024. 4/ 2025. 5/ 2025.

The economy has been severely affected by conflict in the Middle East, with large spillovers to hydrocarbons, tourism, aviation, trade, and logistics. Prior to the conflict, growth was strong, supported by robust non-hydrocarbon activity and improving oil production. Strong fiscal and external buffers, low inflation, and ongoing reforms underpin macroeconomic stability, while diversification, digital investment, and energy transition initiatives will support resilience.

Key conditions and challenges

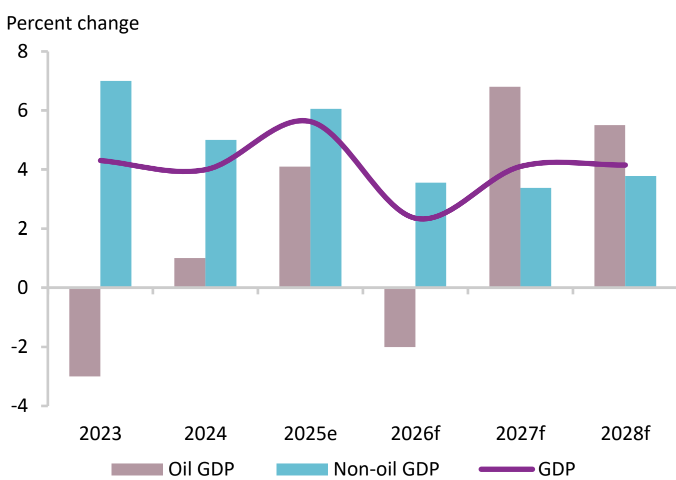
The conflict in the Middle East has increased uncertainty and challenged the United Arab Emirates' (UAE's) stability narrative. Disruptions to the Strait of Hormuz affect energy shipments, container traffic, logistics services, and re-exports. Although pipeline infrastructure allows for a partial bypass of this corridor, most hydrocarbon exports—including liquefied natural gas—still rely on maritime routes through the Strait. As a regional hub for tourism, aviation, and logistics, the economy is also sensitive to geopolitical instability, with potential spillovers to services activity and non-oil growth.

Despite these risks, the UAE has strong fundamentals to absorb shocks. Large fiscal and external buffers, a resilient financial system, and continued diversification support macroeconomic stability, although investor confidence could weaken in the near term. Growth in 2025 outperformed regional and global averages, supported by broad-based non-oil activity and higher hydrocarbon production within the Organization of the Petroleum Exporting Countries and its partners (OPEC+) framework. Population growth, steady foreign direct investment (FDI) inflows, and continued labor and business reforms also supported this expansion.

Recent developments

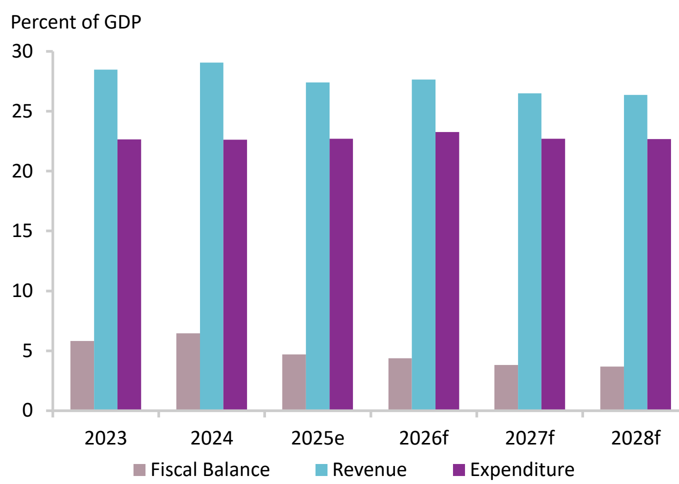
The conflict has disrupted the UAE's strong economic momentum. Airspace restrictions and flight rerouting have increased operational costs for airlines and reduced connectivity for tourism and business travel. Heightened security risks in regional shipping routes have increased insurance and freight costs, affecting hydrocarbon exports, logistics services, and re-export activities. Recent drone strikes on the Fujairah oil hub have also disrupted some loading operations, underscoring rising risks to regional energy infrastructure. Geopolitical uncertainty risks weakening investor sentiment and increasing financial market volatility. In response to the conflict, the UAE Central Bank introduced a five pillar resilience package to support liquidity, ease regulatory constraints, and ensure continued credit flow, helping mitigate downside risks and strengthen financial sector resilience amid heightened uncertainty.

FIGURE 1 / Annual real GDP growth



Sources: Federal Competitiveness and Statistics Centre, and World Bank.

FIGURE 2 / General government operations



Sources: Department of Finance and World Bank.

Prior to the conflict, economic activity remained strong. Real GDP growth is estimated at 5.6 percent in 2025, supported by robust non-oil growth (6.1 percent) and moderate oil sector expansion (4.1 percent). Non-oil activity was driven by wholesale and retail trade, manufacturing, and financial services, reflecting continued diversification. Following higher OPEC+ quotas, oil production increased by 6.8 percent to approximately 3.12 million barrels per day in 2025. Inflation remained contained at 1.3 percent, down from 1.7 percent in 2024, as easing food inflation and lower transport costs partly offset rising housing prices.

Fiscal performance remained strong, although the surplus is estimated to have narrowed to 4.7 percent of GDP in 2025, from 6.4 percent in 2024, reflecting higher spending. The external position also remained robust, with the current account surplus estimated at 13.8 percent of GDP in 2025 and FDI inflows remaining strong, estimated at about 8 percent of GDP in 2025. Foreign exchange reserves and sovereign wealth assets provide additional buffers. Banks remain well capitalized and liquid, with improving asset quality and stronger credit growth, while monetary policy remained aligned with the U.S. Federal Reserve, given the exchange rate peg.

The number of economic establishments and workers grew by 7.8 percent and 12.4 percent, respectively, in 2025, reflecting continued growth in expatriate employment and the dominant share of non-Emirati workers in the labor force. At the same time, Emirati employment in the private sector rose markedly, by 33.6 percent, in line with Emiratization objectives. International Labour Organization modelled estimates indicate that young women remain the most vulnerable to unemployment, with rates above the national average. Ongoing geopolitical uncertainty may weigh on investment and employment in labor-intensive sectors such as tourism, construction, wholesale, and retail trade.

Outlook

The conflict is expected to weigh on growth in 2026, given the UAE's exposure to disruptions in regional trade, logistics, and financial flows. Investor sentiment and key services sectors, including tourism and aviation, face downside risks from elevated uncertainty. Airspace disruptions and higher shipping costs could further compress trade flows and raise import prices, triggering inflationary pressures. Labor-intensive sectors such as hospitality, retail, and construction—where expatriate workers are concentrated—could be particularly affected if instability persists. Higher energy prices may partly offset these effects depending on hydrocarbon production and exports.

Absent a prolonged conflict, growth is projected to slow to 2.4 percent in 2026, reflecting conflict-related disruptions. Growth is expected to accelerate in 2027–2028, supported by a recovery in hydrocarbon output and continued expansion in non-hydrocarbon sectors—particularly financial services, construction, trade, and tourism—although the conflict's near-term impact may continue to weigh on activity. These developments could prompt the government to further accelerate business reforms to reinforce the country's position as a regional hub for business, investment, and innovation. Meanwhile, inflation is projected to rise moderately before stabilizing, while fiscal and current account surpluses are expected to remain robust over the medium term.

Downside risks remain elevated and depend largely on the duration and intensity of the conflict. While a short disruption would likely have limited economic effects, prolonged instability could weaken growth, increase inflation, and disrupt trade, tourism, aviation, and logistics. Higher risk premia could also dampen investment and cross-border trade flows, slowing job creation and diversification efforts.

Recent history and projections	2023	2024	2025e	2026f	2027f	2028f
Real GDP growth, at constant market prices	4.3	4.0	5.6	2.4	4.1	4.2
Real GDP growth, at constant factor prices	4.3	4.0	5.6	2.4	4.1	4.2
Agriculture	1.2	1.8	2.5	2.3	2.0	1.9
Industry	0.9	3.0	4.7	1.3	4.5	3.8
Services	7.5	4.9	6.4	3.3	3.8	4.4
Employment rate (% of working-age population, 15 years+)	76.8	79.8	80.1	79.8	80.0	80.2
Inflation (consumer price index)	1.6	1.7	1.3	2.5	2.1	1.7
Current account balance (% of GDP)	13.1	14.5	13.8	13.6	10.2	10.3
Fiscal balance (% of GDP)[1]	5.8	6.4	4.7	4.4	3.8	3.7
Revenues (% of GDP)	28.5	29.1	27.4	27.7	26.5	26.4
Debt (% of GDP)	31.9	31.2	29.9	29.1	28.4	28.1
Primary balance (% of GDP)	6.5	7.2	5.4	5.0	4.5	4.3
GHG emissions growth (mtCO2e)	-2.4	-0.4	1.1	-0.9	0.3	0.4

Source: World Bank, Fiscal Policy & Growth Department. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.
1/ Consolidated fiscal balance.