بنك الإمارات دبي الوطني
Emirates NBD

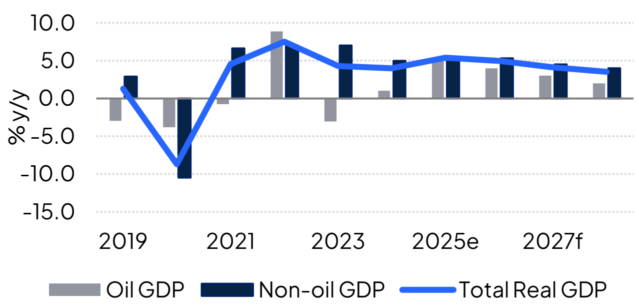
UAE: Another year of strong growth ahead

17 December 2025 – Economics

- The UAE will record another year of strong growth in 2026thanks to contributions from both the oil and non-oil sectors.
- Oil production is set to rise further, supported by OPEC+ strategy shifts and ongoing upstream investment, while expansionary budgets will continue to drive economic activity.
- The federal government's pursuit of new trade agreements (CEPAs), heavy investment in AI and data centres, and easing US monetary policy are expected to support trade, insulate growth, and keep inflation pressures soft.
- Sectors likely to outperform include telecoms, healthcare, construction, accommodation & food services, tourism, and financial services, all benefiting from rapid population growth and major infrastructure projects.

We maintain a highly constructive outlook on the UAE in 2026, with both the oil and the non-oil components of GDP set to see another year of robust growth – albeit slightly slower than we estimate for 2025. Our headline forecast is for an expansion of 5.0%, following a projected 5.4% this year. The slowdown is largely due to our expectation of a slightly slower expansion in oil GDP, given that a substantial proportion of previously restrained supply has already been returned to the market. Non-oil growth will slow only modestly, largely on base effects following a period of above-average growth. As has been the case for the past several years, we expect Abu Dhabi's non-oil growth rate to exceed that of Dubai, but both are set to enjoy a solid expansion, as are the northern emirates.

Robust growth to be maintained over medium term

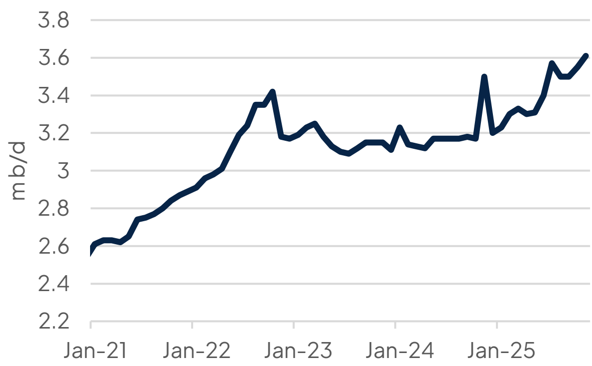


Source: Haver Analytics, Emirates NBD Research

Oil production has further gains to come

Following the shift in OPEC+'s strategy seen in mid-2025, when the producers' bloc moved towards a focus on capturing market share rather than supporting prices, we expect another strong year of growth for oil GDP in the UAE. The UAE was in any case expected to benefit from an upwardly revised quota agreed in December 2024, but this was set to be eased in gradually, not reaching the increased level of 3.4m b/d until September 2026. Instead, the change in approach has seen the UAE produce 3.6m b/d in November 2025, according to Bloomberg estimates, up from just 3.2m b/d in January.

Oil production mounting



Source: Bloomberg, Emirates NBD Research

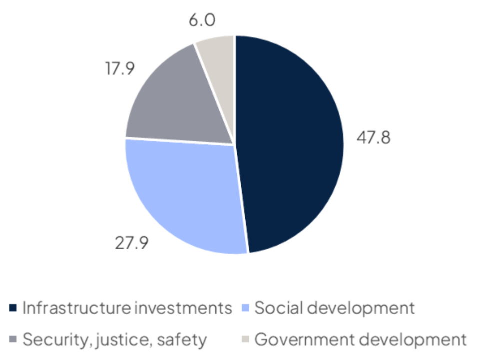
OPEC+ has brought its production increases to a halt for Q1 2026 but given the minimal downside reaction to previous announcements of higher output targets, we expect that they will continue to raise output next year. We forecast average b/d output of 3.7m in the UAE in 2026 but even if production was maintained at present levels throughout the next 12 months, that would still entail a y/y increase of 5.1%. With condensates production also likely to increase, and ongoing investment into production capacity, the risks to our oil GDP growth forecast of 4.0%, following an estimated 5.0% in 2025 (when oil production is on course to grow by around 7.5%) are weighted to the upside.

While the proportion of oil in total GDP has declined from over 30% in 2013 to around a quarter over the past couple of years amid ongoing diversification efforts, it remains the largest sector by some margin, with second-placed wholesale & retail trade around half the size. As such, we expect that ongoing efforts to boost capacity will continue to underpin growth through the coming years, both through the initial investment, and once the new streams come online. ADNOC aims to boost production capacity to 5m b/d by 2027, from around 4.8m b/d currently.

Expansionary budgets will support activity

The increased output will soften the impact of the lower oil prices we expect next year on the consolidated budget balance of the UAE, and we anticipate another year of surplus in 2026, at 4.0% of GDP. While this is lower than the past several years it is nevertheless a healthy buffer and marks a run of budget surpluses from 2018 that was broken only by the Covid-19 year of 2020. This budget surplus should be maintained even with the expansionary spending plans that have been announced so far, testament to the widening tax base and increased fiscal revenue generation seen amid a growing population and burgeoning economy.

Dubai 2026 spending plans, AEDbn



Source: Government of Dubai Media Office, Emirates NBD Research

In October, the UAE Cabinet approved a record AED 92.4bn budget, representing a y/y increase of 29.3%. While the federal budget represents a fairly small proportion of total UAE government spending, it does serve as a useful indicator of federal spending priorities and economic policy direction. This was followed by Dubai's budget in November which approved spending of AED 99.5bn in 2026, up 15.4% from the planned expenditure of AED 86.2bn for 2025. This spending will be supportive of growth through both the investment channel and through support for households and businesses. With the introduction of capital gains tax now in the base, and no notable tax increases since announced, the budgets can be considered net expansionary.

Some of this budget expansion is being funneled into infrastructure investment, with major works currently in process including transport infrastructure – Etihad Rail, the Abu Dhabi Metro, the Al Maktoum International Airport – and oil & gas projects, e.g. the ADNOC Hail and Ghasha Sour Gas development.

Astute policies will continue to soften potential trade war blows

As an open, trade-focused economy, the UAE should have been particularly exposed to the negative impact on global trade that the US tariffs have imposed in 2025. However, a number of strategies adopted by the government in recent years helped soften any potential impact, and we expect that this will continue to play out in 2026 – especially given that the trade uncertainty is in any case expected to be somewhat less heightened than in 2025.

CEPAs will facilitate trade growth

	CEPA in force	Share of 2024 UAE exports	Share of 2024 UAE imports
Cambodia	x	0.03%	0.1%
Costa Rica	x	0.01%	0.0%
Georgia	x	0.09%	0.0%
India	x	13.08%	8.5%
Indonesia	x	0.42%	0.9%
Israel	x	0.51%	0.1%
Jordan	x	0.42%	0.2%
Mauritius	x	0.18%	0.0%
New Zealand	x	0.05%	0.2%
Serbia	x	0.01%	0.0%
Turkiye	x	2.19%	3.5%

Source: Emirates NBD Research

Firstly, the pursuit of new Comprehensive Economic Partnership Agreements (CEPAs) with a diverse range of countries and trading partners around the world will help ensure ongoing frictionless trade with many countries and should also protect supply chains. New CEPAs signed this year include those with New Zealand, Malaysia, and Kenya, and with a steady pipeline of agreements now being ratified, the outlook remains positive for more in 2026. The countries with which the UAE has agreed CEPAs with now make up for 37.4% of 2024 exports and 39.2% of imports, according to our estimates, with 11 agreements already fully in force.

Another strategy that has arguably helped insulate trade, and growth, is the heavy investment going into developing the AI sector in the UAE, and into data centres in particular (*see [GCC economies to harness AI advantages in 2026]*). The World Trade Organization has said that frontloading of AI investment helped boost global trade flows in 2025, and we anticipate that this will remain the case in the Gulf in 2026.

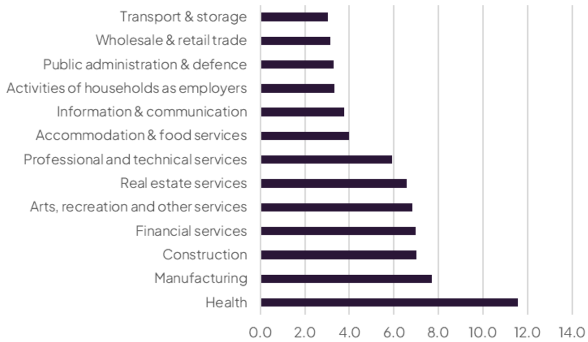
Meanwhile, we anticipate that easing monetary policy in the US – we expect that the Federal Reserve will cut the Fed funds rate by a cumulative 75bps in 2026 – will be matched by the UAE's Central Bank, providing a boost to households and businesses through lower borrowing rates. Moreover, inflationary pressures are likely to remain soft in 2026 with lower oil prices, slowing gains in house prices, and a less pronounced depreciation of the US dollar all contributing (*see [US dollar to weaken again in 2026]*).

Notable outperforming sectors

There are a number of sectors which we expect will continue to outperform in the UAE next year. Some of these are being fueled by rapid population growth, with Abu Dhabi recording a 7.5% rise in the number of residents in 2024 according to the most recent data, a pace that was likely maintained in 2025, while Dubai and the rest of the emirates are also seeing ongoing gains. Customer-facing sectors such as telecoms and healthcare will continue to shine as a result, while construction will also remain a key growth driver as new (private sector) residential housing projects are launched, and new (government) infrastructure spending is pledged to support this.

Accommodation & food services also stand to benefit from the rising population, and from the ongoing growth of the tourism industry. Dubai is set to see around 5.0% growth in visitors in 2025, while Abu Dhabi is also seeing an uptick and we see upside potential for 2026, with a recent decline in visitors from South Asia likely to reverse in part, while diminished regional tensions and the launch of new entertainment offerings will also provide tailwinds. Abu Dhabi alone has the Zayed National Museum, the Natural History Museum Abu Dhabi, and the Guggenheim Abu Dhabi either newly launched or set to launch next year, while the announcement of Disneyland Abu Dhabi made in 2025 will underpin the expansion over the coming decades.

Fastest-growing sectors in Q1 2025, % y/y



Source: Haver Analytics, Emirates NBD Research

Financial services is another sector which we expect will continue to expand at a robust pace in 2026. The sector is a key component of the UAE's various growth strategies including the We the UAE 2031 and Dubai's D33 Agenda which aims for Dubai to be a global top-three financial hub. Abu Dhabi has styled itself as the 'Capital of Capital', and there is strong momentum behind both financial centres. According to a recent press release, ADGM had 308 active financial firms as of H1 2025, up from just 131 at the end of 2021. In Dubai, the DIFC announced its best ever performance for H1, with a record number of new firms setting up and 25% y/y rise in active registered companies.

Our non-oil GDP growth forecast for the UAE is for 5.3% in 2026, marginally slower than our estimated expansion of 5.5% in 2025. This is largely due to an anticipated slowdown in Abu Dhabi's growth to 5.5%, from 6.5% in 2025 as base effects take hold following several years of above-average growth. Growth in Dubai's economy will remain robust at 4.5%, ahead of its pace in the last few years.

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