

United Arab Emirates

We see the UAE's stellar economic performance being sustained in 2026, with robust 4%+ non-oil expansion augmented by accelerating growth in oil production. Non-oil activity will be underpinned by strong consumption, reforms and investments linked to the "We the UAE 2031" vision. Meanwhile, the de-escalation in both regional geopolitical and global trade tensions – if sustained – removes two key downside risks and should lift sentiment in the region's most externally-exposed economy. Relatively advanced diversification metrics versus peers help insulate the UAE economy against the expected drop in oil prices, though a severe drop in oil prices would still jeopardize domestic reform and project execution progress.

Stellar economic performance to continue in 2026

The UAE's economic outlook for next year remains strong despite the boom entering its sixth year. Non-oil GDP growth in 2026 is projected at a robust 4.5% – only slightly down from 4.8% this year and would be the fastest in the Gulf region. The positive outlook is underpinned by strong consumption and personal credit growth, a real estate boom, large investments in strategic sectors such as energy, transport and AI, and a fast-expanding population (averaging 7.5% in Dubai and Abu Dhabi in 2024). The authorities are doubling down on various reform and diversification plans ("We the UAE 2031", Dubai's D33 agenda and Abu Dhabi's Economic Vision 2030) and government spending will remain elevated to help complete a raft of high-profile projects including the Al-Azeerah solar complex (\$6billion), Stargate AI (\$8billion) and the Etihad high speed railway (\$14.6billion).

High levels of investment and expanding international trade have been critical to the recent growth story but are jeopardized by a complex global backdrop of slower global growth, trade tariffs, lower oil prices and regional geopolitics. Although tourism and business sentiment were affected in 2025, the UAE economy has ridden these headwinds well thanks to strong competitiveness metrics, increasing diversification levels, sound macroeconomic balances, and minimal direct tariff impact (mostly steel and aluminum). Our base case is that this remains the case in 2026. The recent de-escalation in the US-China tariff war and the peace process in Gaza – if sustained – also remove key downside risks and should reinforce positive investor sentiment towards the region's most globally-integrated economy next year, giving the expansion fresh momentum.

Meanwhile, for the first time since 2022, crude oil production is on the rise (3.4 mb/d by 2026), driven by the unwinding of OPEC+ cuts and a higher production baseline. With spare capacity of 1.6 mb/d expected after completion of the Upper Zakum/Dalma fields in 2026, the UAE will be well positioned to take advantage of OPEC+'s new tilt towards supply increases and recapturing market share.

Real estate market still buoyant, price rises easing

Both the Dubai and Abu Dhabi property markets saw strong sales activity in 2025 (Dubai +20% y/y in Q3, Abu Dhabi +40% y/y). Demand has proven even stronger than we had

expected and the upbeat trend is expected to persist into 2026, albeit at a slower pace, especially in Abu Dhabi, where investor interest is surging and valuations are lower than in Dubai. Sales remain supported by strong foreign demand and a weaker US dollar versus recent years. But there is evidence in Dubai especially that price growth is easing (to 13% y/y in Q3 from 21% in 2024) amid ongoing government initiatives to expand housing supply, such as Dubai's affordable housing plan of more than 17k units. Abu Dhabi intends to deliver 40k units by 2029. Meanwhile, despite the rapidly growing economy, CPI inflation is forecast to remain below 2% in 2026, reflecting softer rental price growth in Dubai, subdued food inflation, and lower pump prices.

Elevated public spending but fiscal balance in surplus

The fiscal surplus shrank in H1 2025 to 4.3% of GDP on strong rises in both current (+12% y/y) and capital spending (+30%). We expect some slowdown ahead and full-year rises of about 4% in both 2025 and 2026. Signals from the federal budget – especially on capex – are supportive (spending hikes of 12% and 29% in 2025 and 2026, respectively), although the federal budget accounts for only 15% of the consolidated budget. The introduction of the 15% Domestic Minimum Top-up Tax on multinational firms in 2025 will strengthen the revenue base while reducing the impact of lower oil prices on revenues. Consequently, the fiscal surplus is expected to narrow modestly to 4.2% of GDP in 2025 and 3.7% in 2026, from 5.4% in 2024. On the external front, the current account surplus will be broadly steady at 13% of GDP next year, with higher oil export volumes and higher precious metals prices (42% of non-oil exports) helping to offset lower oil prices. Sovereign buffers remain ample, providing resilience against shocks.

Risks to the outlook center on oil, trade and geopolitics

Given an already-robust growth forecast and the lengthy duration of the current upswing, risks to the growth outlook look skewed to the downside. A severe drop in oil prices would hit the public finances, confidence and investment. Rapid economic growth could trigger higher inflation, the property market could undergo a correction, slower global growth could hit trade, while resurgent geopolitical tensions could hurt sentiment. Conversely, higher oil prices, a further lessening in global trade tensions and successful reform and projects progress would strengthen growth prospects.

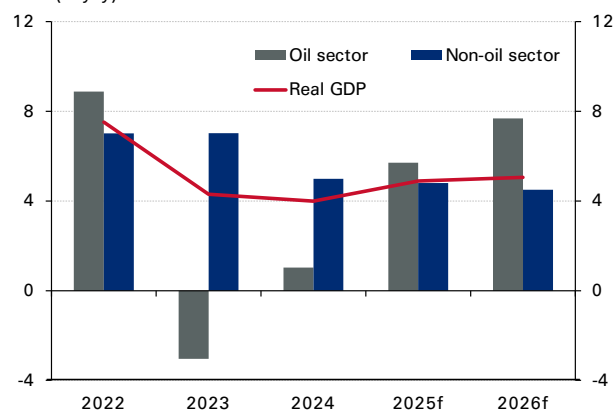
Table 1: Key economic indicators

		2022	2023	2024 ^e	2025 ^f	2026 ^f
Nominal GDP	\$ bn	511	523	552	571	599
Real GDP	% y/y	7.5	4.3	4.0	4.9	5.1
- Oil sector	% y/y	8.9	-3.0	1.0	5.7	7.7
- Non-oil sector	% y/y	7.0	7.0	5.0	4.8	4.5
Inflation (avg.)	% y/y	4.8	1.6	1.7	1.5	1.3
Fiscal balance	% of GDP	9.8	5.8	5.4	4.2	3.7
Current acc. balance	% of GDP	14.6	13.1	14.5	13.3	12.6

Source: Official sources, NBK forecasts

Chart 1: Real GDP

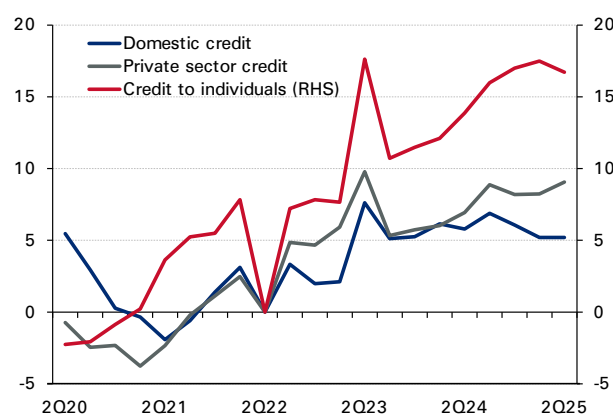
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Source: Federal Competitiveness & Statistics Centre (FCSC), NBK forecasts

Chart 2: Domestic Credit

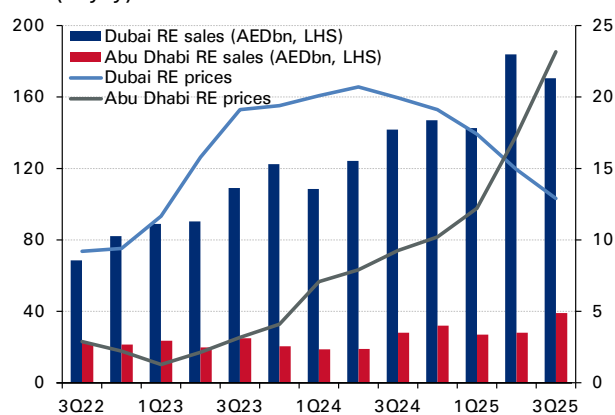
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Source: Haver

Chart 3: Real estate sales and prices

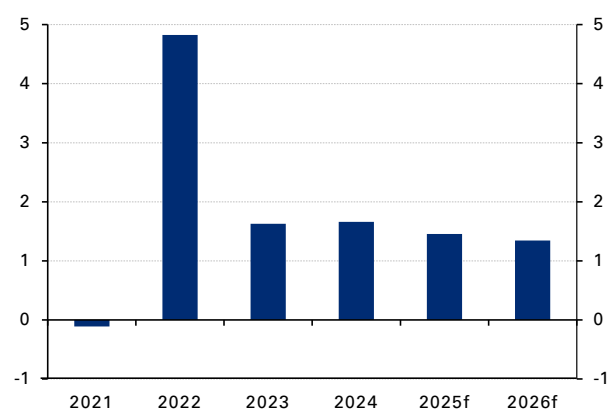
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Source: REIDIN, DXB interact, ADREC, NBK estimates

Chart 4: Consumer price inflation

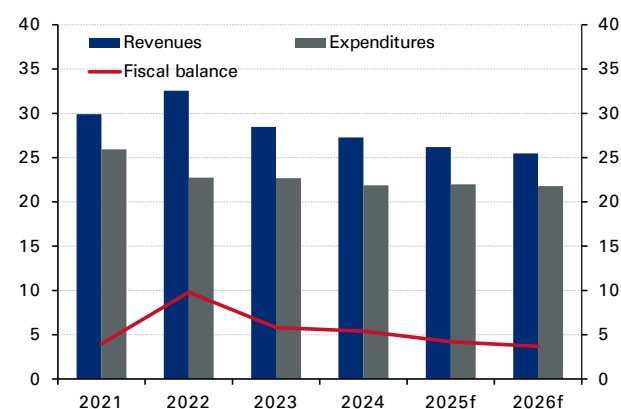
(% y/y)



Source: Haver, NBK forecasts

Chart 5: Fiscal balance

(% of GDP)



Source: Ministry of Finance, FCSC, NBK forecasts