UNITED ARAB EMIRATES

Table 1	2023
Population, million	9.5
GDP, current US$ billion	477.6
GDP per capita, current US$	50185.0
School enrollment, primary (% gross)[a]	115.8
Life expectancy at birth, years[a]	79.2
Total GHG emissions (mtCO2e)	256.9

Source: WDI, Macro Poverty Outlook, and official data.
a/ WDI for School enrollment (2020); Life expectancy (2022).

The United Arab Emirates (UAE) maintains its status as a key regional hub for trade, finance, and tourism, supported by significant progress in economic diversification and reduced reliance on hydrocarbon revenues. Economic growth remains positive in 2024, although constrained by OPEC+ production adjustments, with a stronger recovery projected for 2025. Major risks to the outlook include heightened geopolitical tensions, substantial oil price fluctuations, and continued global financial tightening.

Key conditions and challenges

UAE's macroeconomic conditions are shaped by a robust non-oil sector, supported by prudent fiscal and monetary policies. Despite the recent contraction in oil production and the anticipated subdued output in 2024, the OPEC+ agreement to raise the UAE's quota signals a gradual shift, with voluntary production cuts being reversed over time. A phased increase in oil output is set to occur between January and September 2025, reinforcing external buffers and sustaining fiscal stability. Hydrocarbon revenues continue to underpin the fiscal framework, while ongoing structural reforms—including the introduction of Corporate Income Tax and the gradual phase-out of the business fee regime—are enhancing fiscal resilience and broadening the economic base. These reforms, alongside strong non-oil sector performance, provide a stable foundation for continued economic strength.

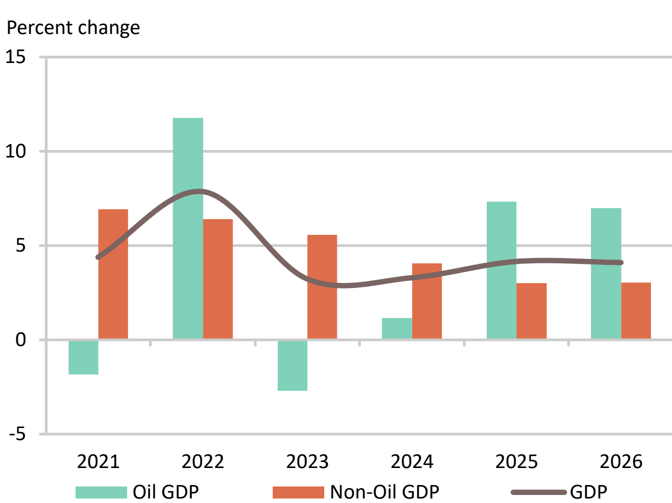
Key risks to growth are primarily linked to potential OPEC+ decisions to extend production quotas cuts, as well as the extension or escalation of the conflict in the Middle East conflict, given its adverse impact on oil price volatility and disruption in key sectors notably tourism and trade. Specifically, the disruption of Red Sea trade routes would lead to further increase in shipping costs and rerouting, particularly affecting the Asia-Europe trade corridor. This situation particularly poses substantial downside risks to the transport and logistics sectors, with the potential to negatively impact overall economic growth through the heightened supply chain cost and inefficiencies.

Recent developments

Following a deceleration in real GDP growth to 3.2 percent in 2023, driven by subdued global demand and OPEC+ production adjustments, the UAE economy remains nonetheless resilient, supported by a strong non-oil sector performance. Overall, the non-oil private sector remained robust, as indicated by a rise in the PMI to 54 in August 2024, driven by increases in output, new orders, and employment. In particular, financial services, hospitality, and transportation sectors are witnessing significant growth. Tourism also expanded, with tourist arrivals increasing by 11 percent year-on-year in Q1 2024. Passenger traffic at Abu Dhabi's Zayed International Airport surged by 36 percent. In contrast, the oil sector saw a 4 percent decline in production compared to the same period in 2023, averaging 2.9 million barrels per day over the first four months of 2024. However, gas production grew by 14.3 percent in Q1 2024, helping to offset the lower oil output.

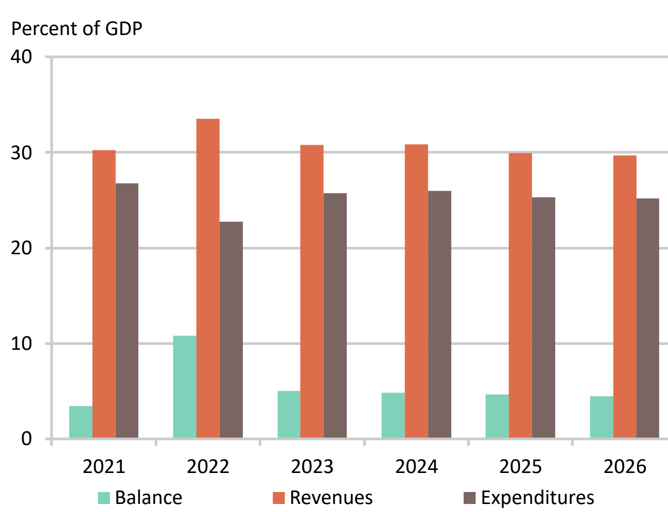
National inflation averaged 2.3 percent in H1 2024, with Dubai's inflation, consistent with the national trend, reaching 3.9 percent. This was primarily driven by elevated transport costs, while housing and utilities prices continued to

FIGURE 1 United Arab Emirates / Annual real GDP growth



Sources: UAE authorities, IMF WEO, and World Bank staff estimates.

FIGURE 2 United Arab Emirates / Public finances



Sources: UAE authorities, IMF WEO, and World Bank staff estimates.

rise, reflecting rapid population growth linked to recent visa reforms.

The banking sector remains robust, with non-performing loans ratio falling to 5 percent in Q1-2024, down from 6.4 percent in Q1-2023, and private sector credit growth sustained at 6.7 percent.

Public finances remain strong. The net fiscal balance remained positive at approximately 6 percent of GDP in Q1 2024, despite a narrowing of the fiscal surplus due to lower oil-related revenues. Total revenues contracted by 23 percent to 25,4 percent of Q1 2024 GDP. Government expenditure decreased by 20 percent to 19,3 percent of GDP, driven by declines in both current and capital spending. Overall, the fiscal accounts remain sustainable and have been further bolstered by the recent introduction of corporate income taxation.

The current account continues to maintain a surplus, driven by oil exports revenues and rising non-oil exports, helped by Free trade agreements with key Asian and African markets.

Employment growth remains robust in 2024, similar to 2023 trends (ILO estimates). The employment-to-population ratio is expected to reach 80.3 percent on average in 2024, with a stronger growth projected to be seen among women. This is possibly an effect of the gender balance strategy 2026 the country adopted to achieve gender balance by fostering, among other things, economic participation, financial inclusion. Total unemployment rate is projected to remain roughly stable y-o-y at about 2.7 percent in 2024. Youth unemployment rates remain substantially high, though on a downward trajectory since 2022. The gap in unemployment rates between youth and the whole labor force (15+) is especially wide among women, with projected rates of 21.7 percent among young women and 7.6 percent among women ages 15+ for 2024.

Outlook

Real GDP growth is expected to accelerate in the short- to medium-term, with overall GDP projected to grow by 4.1 percent in 2025 and 2026, supported by the recovery in oil production and stable external conditions. Economic activity is estimated to reach 3.3 percent in 2024, driven by a sustained expansion of 4.1 percent in the non-oil sector, which remains a key driver of economic growth, underpinned by robust performance across sectors such as tourism, real estate, construction, transportation, and manufacturing, and supported by the recovery in global economic activity. Oil output growth is forecast at 1.2 percent in 2024, with voluntary production cuts expected to be gradually reversed, leading to a phased increase in output between January and September 2025. Despite this positive outlook, risks remain elevated, including potential delays in OPEC+ production increases, decisions by other member countries regarding oil output, and the adverse economic effects of ongoing geopolitical tensions in the Middle East, which could weigh on UAE's overall economic outlook.

In 2024, inflation is projected to reach 2.2, supported by earlier interest rate hikes and base effects, and is expected to remain contained at approximately 2.1 percent through 2025-26.

The fiscal surplus, while still supported by oil revenues and robust non-oil economic growth, is projected to continue its declining trajectory to 4.9 and 4.7 percent of GDP in 2024 and 2025 respectively. The expansion of non-oil revenues and the broadening of the tax base, driven by the introduction of a federal corporate tax, continue to play a central role. The ongoing implementation of fiscal revenue reforms, along with the maintenance of prudent and well-coordinated fiscal policies tailored to individual emirates, is expected to continue to support overall fiscal sustainability.

The current account surplus, estimated at 7.5 percent of GDP for 2024, is expected to decline further to 7.4 and 7.3 percent in 2025 and 2026 respectively, indicating a deterioration, despite continued efforts to diversify the external sector. Expansion into non-oil sectors and emerging markets in South Asia and East Africa is, however, expected to strengthen non-oil export revenues. However, export performance remains subject to fluctuations in the oil production level and price and is dependent on the re-establishment of secure trade corridors.

TABLE 2 United Arab Emirates / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	4.4	7.9	3.2	3.3	4.1	4.1
Private consumption	5.0	9.0	5.1	5.5	3.9	4.0
Government consumption	1.4	3.5	3.0	3.5	3.0	2.8
Gross fixed capital investment	9.6	6.0	5.9	4.3	3.5	3.3
Exports, goods and services	6.8	8.4	3.6	3.5	4.6	4.6
Imports, goods and services	8.8	7.4	5.3	4.8	4.1	4.1
Real GDP growth, at constant factor prices	4.4	7.9	3.2	3.3	4.1	4.1
Agriculture	3.8	3.4	3.5	3.5	3.0	3.0
Industry	1.3	8.8	1.2	1.2	4.6	4.5
Services	7.4	7.1	5.1	5.2	3.7	3.8
Inflation (consumer price index)	-0.1	4.8	1.6	2.2	2.1	2.0
Current account balance (% of GDP)	11.5	11.7	9.2	7.5	7.4	7.3
Fiscal balance (% of GDP)[a]	3.5	10.8	5.1	4.9	4.7	4.5
Revenues (% of GDP)	30.2	33.6	30.8	30.8	30.0	29.7
Debt (% of GDP)	35.1	31.4	29.6	27.9	26.5	25.3
Primary balance (% of GDP)	3.7	11.1	5.3	5.1	4.8	4.7
GHG emissions growth (mtCO2e)	2.5	3.7	-0.8	0.7	0.6	1.0
Energy related GHG emissions (% of total)	72.9	73.6	72.9	72.7	72.4	72.1

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast.
a/ Consolidated fiscal balance.