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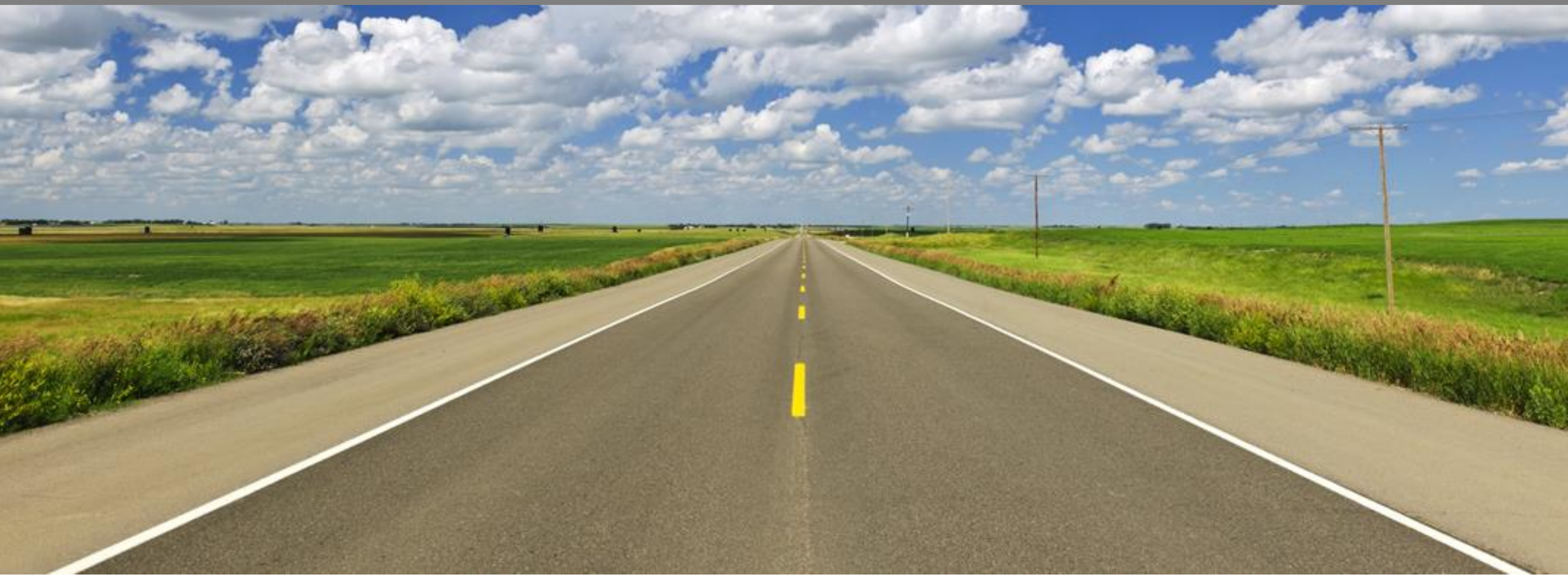
Economic QuickView



United Arab Emirates: A Leading Model of Modernisation and Diversification in the Middle East

- The United Arab Emirates (UAE) demonstrates exceptional economic transformation through strategic diversification from traditional hydrocarbon dependence.
- While building robust economic fundamentals, the UAE has fostered strong international partnerships, particularly with China.
- The UAE's growth outlook remains promising, supported by ambitious reforms and strategic investment in nonhydrocarbon sectors.

The UAE holds a prominent position in global oil and gas production

The UAE is a major economy with substantial oil and gas reserves. In 2024, the UAE ranked as the 2nd largest economy in the Middle East, after Saudi Arabia, and the 29th globally, with a nominal GDP of USD 537.1 billion. With a population of 11.0 million and a GDP per capita of USD 48,830 in 2024, the UAE is regarded as a high-income country by the World Bank. As a member of the Organisation of the Petroleum Exporting Countries (OPEC), the UAE is a leading oil and gas producer in the world. The UAE holds the world's 5th largest oil reserves at around 113.0 billion barrels, with average daily production of 2.9 million barrels in 2024. The country's natural gas reserves total approximately 8.2 trillion cubic meters, the 7th largest worldwide, with annual production of 57.8 billion cubic meters in 2024.

The UAE's federal structure creates diverse economic conditions across its seven emirates. The UAE is a federation consisting of seven emirates: Abu Dhabi, Dubai, Sharjah, Ajman, Umm Al Quwain, Ras Al Khaimah and Fujairah. Each emirate is governed by its own hereditary ruler. Abu Dhabi serves as the capital and holds the majority of hydrocarbon resources, while Dubai has emerged as a commercial and financial hub. The seven emirates display a spectrum of economic conditions driven by their distinct resources and strategic priorities, notably with Abu Dhabi focusing on energy-intensive industries and Dubai pioneering the services sector.

Key Indicators of the Seven Emirates of the UAE

Emirate	Land Size (km²)	Nominal GDP (USD billion, reporting year)	Population (million, reporting year)	Main Industries
Abu Dhabi	67,340	327 (2024)	4.1 (2024)	Oil & gas, tourism, and finance
Dubai	4,114	139.1 (2023)	3.9 (2024)	Finance, tourism, and trade
Sharjah	2,590	39.5 (2023)	1.8 (2022)	Manufacturing and tourism
Ras Al Khaimah	1,684	12 (2023)	0.4 (2023)	Manufacturing and tourism
Fujairah	1,450	7.4 (2023)	0.3 (2024)	Trade and tourism
Umm Al Quwain	720	-	0.5 (2005)	Fishing and tourism
Ajman	259	9.8 (2023)	0.5 (2017)	Manufacturing and trade

Source: The UAE Government Portal, Dubai Data and Statistics Establishment, and various news sources.

Note: Umm Al Quwain's GDP data is not available for 2023 and 2024.

The UAE has sharply advanced its strategic economic diversification efforts

The UAE has pursued comprehensive diversification efforts since the 1980s. The UAE has taken a proactive economic development strategy, given the recognition that oil reserves would eventually deplete, particularly in Dubai, where oil production peaked in 1991. Notably, the UAE made significant progress in diversifying its economy with its "Vision 2021" plan implemented in 2010. The plan called for market deregulation, trade development, and private sector support across multiple non-oil sectors.

Economic diversification has achieved measurable success. Non-oil sectors made up 77.8% of the UAE economy in 2024, up markedly from 68.0% in 2014. The services sector has emerged as the largest GDP contributor, with its share increasing from 47.4% in 2014 to 51.6% in 2023. Conversely, the industrial sector's share declined from 52.0% in 2014 to 47.7% in 2023, reflecting reduced reliance on oil and gas production and faster growth in non-oil industries such as aluminium production. The agricultural sector's share remained small at 0.7% of GDP in 2023, compared with 0.6% in 2014.

Tourism, financial services, and trade have become the fundamental pillars of the UAE's transition toward a diversified economy. The UAE has established itself as a premier global hub for leisure, business, and cultural tourism. The tourism sector's share of GDP more than doubled from 5.2% of GDP in 2016 to 11% of GDP in 2023. Strategic investment in iconic attractions and infrastructure like Dubai's Burj Khalifa and Dubai International Airport has strengthened its tourism offerings. Major events such as Expo 2020 and visa liberalisation for over 80 countries have further enhanced the UAE's appeal.

The UAE has developed into a major financial centre with the largest banking system in the Middle East. The financial sector has also seen significant gains, with its share of GDP rising from 9.2% in 2014 to 10.2% in 2024. As one of the major Islamic finance centres in the world, the UAE's total banking assets reached USD 1.24 trillion in 2024. The Dubai International Financial Centre (DIFC) and Abu Dhabi Global Market (ADGM) have emerged as leading asset management hubs in the region. DIFC reported asset under management (AUM) of USD 700 billion by June 2024, while ADGM's AUM stood at USD 635 billion by December 2024. Furthermore, the UAE boasts a dynamic capital market. The total market capitalisation of the Abu Dhabi Securities Exchange (ADX) and the Dubai Financial Market (DFM) reached USD 1.1 trillion by 2024, with USD 6.2 billion raised through initial public offerings (IPO) in 2024, representing 47% of all IPO activity in the Middle East.

Strategic geographical positioning has established the UAE as a leading international trade hub. The transport and storage sector's contribution to the UAE's GDP grew steadily from 5.7% in 2014 to 6.5% in 2024. Located at the crossroads of Europe, Asia, and Africa, the UAE is a natural gateway for global commerce. World-class infrastructure, such as the Middle East's largest port, Jebel Ali Port, and 46 free trade zones offering benefits such as full foreign ownership and tax reductions, have enhanced its competitiveness to attract international traders. In 2023, the nation facilitated about 2.5% of global container throughput, demonstrating its critical role in global supply chains.

The UAE has sustained robust economic growth through economic diversification

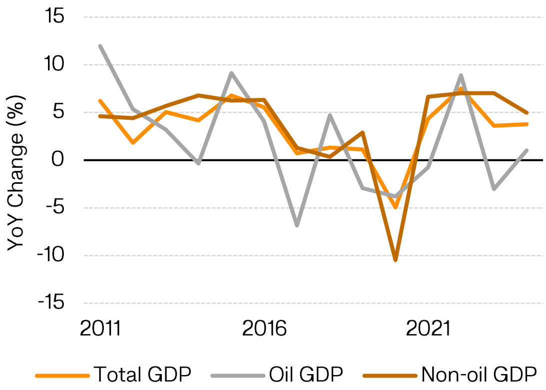
The UAE has sustained robust economic growth, supported by strong oil revenues and rapid economic transformation. Between 1990 and 1999, GDP growth averaged 6.2% annually, fuelled by booming oil exports, early economic diversification initiatives and strategic infrastructure development, including the expansion of airports and ports. From 2000 to 2009, the UAE experienced an average annual economic growth of 5.0%, propelled by high oil prices and rapid expansion in real estate, trade, and tourism sectors. The UAE posted a 5.2% economic contraction in 2009 due to the global financial crisis. From 2010 to 2019, the economy maintained an average annual GDP growth of 3.8%, driven by the continued expansion of non-oil sectors and infrastructure investment for Expo 2020. From 2020 to 2024, GDP growth moderated to an annual average of 2.9%, because of a sharp contraction of 5.0% in 2020 due to the COVID-19 pandemic, following a robust recovery upon economic reopening and fiscal stimulus. Overall, the UAE has experienced a rapid economic expansion over the previous decades, with its share of global GDP increasing steadily from 0.26% in 1999 to 0.49% in 2024 and its GDP ranking rising from 45th to 29th. In 2024, its GDP per capita reached USD 48,830, marking a 75.4% increase from its 1999 level.

UAE's Key Macroeconomic Indicators

	1990-1999	2000-2009	2010-2019	2020-2024
GDP growth (%, average)	6.2	5.0	3.8	2.9
GDP (USD billions, end of period)	84.4	253.5	418.0	537.1
GDP per capita (USD, end of period)	27,834	37,429	43,940	48,830
Share of world GDP (%, end of period)	0.26	0.42	0.47	0.49
GDP ranking in the world (end of period)	45	35	29	29

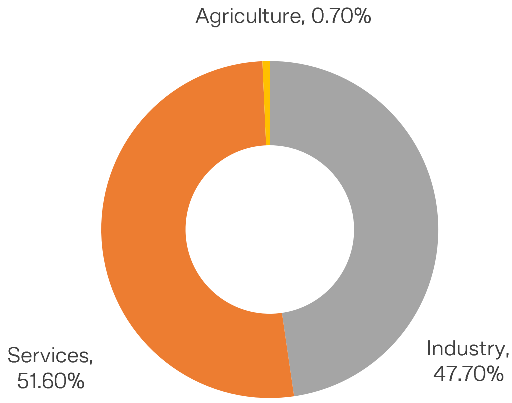
Source: International Monetary Fund

UAE GDP Growth



Source: International Monetary Fund, UAE Federal Competitiveness and Statistics Authority

UAE's GDP by Sector (2023)



Source: World Bank

Inflation in the UAE has exhibited considerable volatility. In the 1990s, inflation remained stable, averaging 3.6%, supported by low oil prices and a fixed exchange rate. The 2000s saw a rise in inflation, peaking at around 12.3% in 2008 due to a construction boom and rising rents amid rapid population growth. After the 2008 financial crisis, inflation dropped to -4.7% in 2009. Between 2010-2018, it fluctuated between 0.7% and 4.1%, driven by oil price volatility. Inflation dipped to -1.9% in 2019 and -2.1% in 2020 due to the COVID-19 pandemic. By 2024, inflation rebounded and stabilised at 1.7%, driven by economic recovery and higher oil prices.

The UAE has built a strong fiscal position. Between 2005 and 2024, the fiscal balance of the UAE government averaged 5.4% of GDP, driven by both oil revenues and non-oil revenues, such as VAT and corporate taxes. The country's commitment to prudent debt management is also reflected in its government debt-to-GDP ratio of 32.1% in 2024, notably lower than the average of 45.3% for other Middle Eastern and Central Asian countries.

In addition, the UAE's sovereign wealth funds (SWFs), with assets of approximately USD 1.7 trillion as of February 2025, play a pivotal role in strengthening the UAE's fiscal resilience. Serving as critical buffers against economic shocks, these funds are strategically deployed across key sectors for promoting balanced and sustainable economic development. They also allocate substantial capital to invest in international private equity firms and local fintech startups such as Sarwa, as well as new sectors such as semiconductors, artificial intelligence, renewable energy, healthcare, biotechnology and aerospace.

The UAE's monetary policy framework, overseen by the Central Bank of the UAE, supports price stability through a fixed exchange rate peg of the UAE dirham to the US dollar at 3.6725. Thus, monetary policy in the UAE aligns with the US Federal Reserve (Fed). The base rate for the overnight deposit facility stood at 4.4% as of early July 2025, which has come down from a high of 5.4% in August 2024, alongside the Fed's easing trajectory. This policy framework provides stability and predictability for businesses and investors while supporting economic growth objectives.

The UAE has fostered close economic links with China

The UAE has deepened its trade relations with China. In 2024, the Chinese Mainland emerged as the UAE's largest trading partner, accounting for 14.9% of its total trade. Exports from the Chinese Mainland to the UAE are dominated by machinery & electrical equipment (37.8% of Chinese Mainland exports to the UAE in 2024) and transport equipment (14.4%). On the other hand, the Chinese Mainland's primary imports from the UAE are concentrated in mineral products (83.6% of Chinese Mainland imports in 2024). In the meantime, Hong Kong maintains a strong trade relationship with the UAE. In 2024, Hong Kong was the UAE's 8th largest trading partner, accounting for 2.9% of the UAE's total trade. Hong Kong's exports to the UAE are led by telecommunications equipment (57.8% of Hong Kong's exports to the UAE in 2024), while Hong Kong's imports from the UAE are primarily non-metallic mineral manufactures (42.0% of Hong Kong's imports in 2024).

UAE's Top Five Trade Partners in 2024

Ranking	Export Destinations	Share in Exports(%)	Import Suppliers	Share in Imports(%)
1	India	15.2	Chinese Mainland	18.4
2	Japan	10.5	European Union	11.9
3	Chinese Mainland	10.3	India	7.2
4	Hong Kong	5.6	US	6.4
5	South Korea	5.1	Turkey	4.2

Source: Bloomberg

The UAE has stepped up investment cooperation with China. The China-UAE Bilateral Investment Agreement (BIT), signed in 1993, laid a strong foundation for investment cooperation between the two economies by enhancing investor incentives and protection. Attracted by the UAE's political stability, strategic location, and pro-business policies such as 100% foreign ownership and tax exemptions, China's outward direct investment (ODI) flows to the UAE surged from USD 705.3 million in 2014 to USD 1.8 billion in 2023. Notable investors include infrastructure and logistics firms (e.g., China State Construction Engineering Corporation), technology giants (e.g., Huawei, Alibaba), and energy companies (e.g., China National Petroleum Corporation). Besides, China's foreign direct investment (FDI) inflows from the UAE grew rapidly from USD 28.6 million in 2014 to USD 2.2 billion in 2023, spanning diverse sectors including technology, renewable energy, logistics, hospitality, and rubber. This increase in bilateral investment reflects a shared commitment to long-term economic partnership between the two economies.

The UAE and China have enhanced their economic partnership via various strategic initiatives. The UAE has been an active partner in the Belt and Road Initiative, with its Jebel Ali Port positioned as a key maritime hub of the initiative. Notably, the UAE established a USD 10 billion Joint Investment Cooperation Fund with China to improve regional infrastructure connectivity. In 2025, China signed multiple long-term large-scale liquefied natural gas supply agreements with the UAE, marking a new height of bilateral ties. These agreements bolster China's energy security while reinforcing the UAE's position as a reliable energy supplier. To enhance technological cooperation, the two countries signed a Memorandum of Understanding in 2024 to promote the development of investment opportunities in digital infrastructure, artificial intelligence, and advanced technological applications.

The UAE's growth outlook remains promising, led by ambitious transformations

Global trade uncertainty is anticipated to have a modest impact on the UAE economy. The 10% baseline tariffs imposed by the US are expected to cause limited direct effects on UAE exports, as the US accounted for just 2.1% of the UAE's total exports in 2024. Moreover, oil, gas, and refined energy products, which constituted around 23.3% of the UAE's exports to the US in 2024, are exempt from tariffs. However, tariffs could have indirect impacts, such as slower global economic growth, reduced oil demand and lower oil prices, which are critical to the UAE's fiscal revenues. Higher trade uncertainties could also drag foreign direct investment. To counter these challenges, the UAE is diversifying its trade partnerships and has started free trade agreement negotiations with the EU. Additionally, the UAE pledged to invest USD 1.4 trillion in the US over the next decade during President Trump's visit in May 2025, which could provide leverage for negotiating tariff relief.

The UAE's economy is set to maintain a strong growth trajectory, supported by continued diversification reforms and its strategic global positioning. Its strategic plan, "We the UAE 2031," aims to further transform the country into a global leader in economic diversification, innovation, and sustainability while transitioning toward a knowledge-based economy. The key goals include doubling its GDP from AED 1.49 trillion (USD 0.41 billion) to 3 trillion (USD 0.82 billion), boosting non-oil exports to AED 800 billion (USD 217 billion), and advancing high-value, non-oil sectors such as digital economy, fintech, logistics, and tourism. Complementing this vision is the National Investment Strategy 2031, which seeks to attract foreign capital to drive economic transformation and position the country as a global investment hub. Under this plan, the UAE aims to increase annual FDI inflows from AED 112 billion (USD 30.5 billion) in 2023 to AED 240 billion (USD 65.3 billion) by 2031. Furthermore, the UAE's active participation in the BRICS+ group and Belt and Road Initiative will foster new trade and investment ties and create new growth opportunities. Together, these ambitious strategies will improve the UAE's long-term competitiveness and reinforce its position as a leading diversified economy in the Middle East.

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