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ECONOMIC AND POLITICAL OVERVIEW

ECONOMIC OVERVIEW

The United Arab Emirates' economy rebounded well from the COVID-19 crisis, growing 7.9% in 2022 and an estimated 3.4% in 2023, fueled by robust domestic activity. Forecasts for 2024 indicate a non-hydrocarbon GDP growth surpassing 4%, driven by the tourism, construction, and real estate sectors. Anticipated for 2024 is a 7% year-on-year increase in tourism receipts, reaching USD 43.7 billion (around 9% of the GDP). This surge is poised to further contribute to a rise in private consumption. Conversely, government consumption, accounting for approximately 12% of the GDP, will primarily focus on business reforms and incentives, rather than implementing stimulus programs to boost consumption. For the year as a whole, the IMF forecasts growth at 4%, followed by 4.2% in 2025.

The UAE's public finances are sound. Supported by elevated oil prices, both fiscal and external surpluses maintain their strength. Projections for 2023 indicate a fiscal balance of around 5% of GDP, underpinned by robust economic activity and oil revenue. The gradual implementation of a corporate income tax, initiated in June 2023, is poised to contribute to increased non-oil revenue in the medium term. The consolidated UAE government debt-to-GDP ratio decreased to 29.4% of GDP in 2023 (from 31.1% one year earlier) and should follow a downward trend over the forecast horizon (28.3% by 2025). This decline is further influenced by the Dubai Emirate's commitment to reducing its public debt by EAD 29 billion in accordance with its Public Debt Sustainability Strategy. Simultaneously, the current account surplus is anticipated to surpass the medium-term level significantly in both 2023 and 2024. Nevertheless, the seven Emirates have varied debt profiles, with the Emirate of Dubai recording the highest level, at 78% of its GDP in 2022 (Fitch). Furthermore, the UAE's Central Bank and sovereign wealth funds own important foreign assets, providing the country with a large liquidity cushion (Abu Dhabi holds the world's fourth-largest sovereign wealth fund) and making the country a net creditor at the global level. Overall, the Federation is estimated to have around USD 700 billion of assets in its sovereign wealth funds (Coface). In 2023, inflationary pressures moderated gradually to reach 3.1%; albeit a further reduction is expected for 2024 (2.3% as per the IMF projections), increasing rental prices are expected to exert upward pressure on the housing component of the CPI basket. As a result, inflation is likely to remain above the average observed in 2020-2022, which hovered around 1.3%.

The UAE has one of the highest per capita income levels in the world (estimated at USD 88,962 in 2023 at PPP by the IMF) and a highly developed welfare system. It also has one of the lowest rates of unemployment in the Middle East, at 2.8% in 2022 according to the World Bank (while Dubai enjoys the lowest unemployment level in the world, at around 0.5%) and depends heavily on foreign labour (more than 85% of the workforce). A policy of "Emiratisation" has been launched to encourage the employment of the local workforce; nevertheless, the unemployment rate among nationals continues to be considerably high compared to the rate among non-nationals (it varies according to the emirate and is the highest in Abu Dhabi).

Main Indicators	2022	2023 (E)	2024 (E)	2025 (E)	2026 (E)
GDP <i>(billions USD)</i>	507.06	509.18	536.83	561.16	588.64
GDP <i>(Constant Prices, Annual % Change)</i>	7.9	3.4	4.0	4.2	4.3
GDP per Capita <i>(USD)</i>	51,400	50,602	52,407	53,813	55,450

Main Indicators	2022	2023 (E)	2024 (E)	2025 (E)	2026 (E)
General Government Gross Debt <i>(in % of GDP)</i>	31.1	29.4	28.7	28.3	27.8
Inflation Rate <i>(%)</i>	n/a	3.1	2.3	2.0	2.0
Current Account <i>(billions USD)</i>	59.55	41.57	41.25	41.98	42.23
Current Account <i>(in % of GDP)</i>	11.7	8.2	7.7	7.5	7.2

Source: IMF – World Economic Outlook Database , October 2021

Country Risk

See the country [risk analysis](#) provided by [La Coface](#).

MAIN SECTORS OF INDUSTRY

According to the latest figures from the World Bank, agriculture contributes to 0.8% of GDP and employs a mere 2% of the workforce, as most of the country is unsuitable for agriculture and animal husbandry, with an agricultural area of only 390,000 ha (FAO). Hence, around 90% of UAE's food is imported (USDA). Fishing and date-growing are among the main agricultural activities. Despite limited water resources, the UAE government continues to look for new technologies to support the local production of certain strategic commodities.

Manufacturing activities have seen unprecedented growth in recent years, particularly in sectors such as metal processing, furniture, industrial preparation of foodstuffs, aluminium production, construction materials, fertilisers, the petrochemical industry, fibreglass and real estate. Industry now comprises 51.5% of GDP and employs 27% of the workforce. The portion of GDP from the oil and gas sector has declined gradually (to about 30%, according to the latest estimates) owing to a successful economic diversification policy. The United Arab Emirates is the world's 7th largest oil producer with significant reserves: its oil and gas reserves are estimated to last approximately 100 years at the current rate of consumption. "Operation 300bn", a 10-year strategy developed by the Ministry of Industry and Advanced Technology (MoIAT), seeks to expand the contribution of the industrial sector from AED 133 billion to AED 300 billion by 2031. Manufacturing plays a significant role in the UAE's GDP, ranking as the third-largest sector by nominal GDP share. In 2022, manufacturing contributed nearly 10% to the overall nominal GDP of the UAE, with Dubai and Abu Dhabi showing slightly lower proportions at around 8.7% and 6%, respectively; whereas Emirates like RAK and Sharjah have substantial industrial activities.

The tertiary sector contributes 47.7% of the GDP and employs 71% of the workforce. The main sub-sectors are international trade, air transport, financial activities and tourism. The travel and tourism sector, in particular, has a total contribution of around 12% of the GDP, mainly driven by the Emirate of Dubai (UAE Official Portal). This sector was severely affected by the COVID-19 pandemic and recorded a contraction. Despite that, tourism restarted growing following the lifting of travel restrictions (for example, Dubai welcomed 12.45 million overnight visitors in Jan-Sep 2023, up 23% y/y and exceeding the previous record registered in 2019 of 12.08 million visitors). Lastly, the aviation sector has been the key driver of Dubai's GDP growth.

Breakdown of Economic Activity By Sector	Agriculture	Industry	Services
Employment By Sector <i>(in % of Total Employment)</i>	1.7	27.2	71.1
Value Added <i>(in % of GDP)</i>	0.9	47.5	51.6
Value Added <i>(Annual % Change)</i>	28.5	2.5	4.9

Source: World Bank - Latest available data.

Monetary Indicators	2016	2017	2018	2019	2020
UAE Dirham (AED) - Average Annual Exchange Rate For 1 USD	3.67	3.67	3.67	3.70	3.67

Source: World Bank - Latest available data.

FOREIGN TRADE

The United Arab Emirates is among the world's most dynamic markets in terms of foreign trade, which accounts for 167% of the GDP according to the latest available data from World Bank. The country is one of the world's top 20 largest exporters and importers of commodities and the largest trading nation in the Middle East. According to the World Trade Outlook and Statistics report by the WTO, in 2022, the UAE ranked 11th globally in goods exports, totalling USD 599 billion, representing 2.4% of global merchandise exports and a growth of 41%. The country also ranked 18th in merchandise imports, reaching USD 425 billion, contributing to 1.7% of world merchandise imports, with a 22% increase. In the realm of services, the UAE was ranked 12th globally in service exports in 2022, amounting to USD 154 billion, making up 2.2% of the world's total service exports. Additionally, the country secured the 18th spot in service imports, totalling USD 95 billion, constituting 1.5% of global service imports. Oil products are by far the largest item of exports (the country is the world's 4th oil exporter), followed by gold, telephone sets, diamonds, and motor cars. Gold is also among the major imports, along with telephones, diamonds, and motor cars (data Comtrade).

Saudi Arabia is the top destination of Emirati exports (5.4%), followed by India (4.9%), Iraq (4.2%), the U.S. (2.2%), Oman (2.1%), and Hong Kong (2%). China (16%), India (6.5%), the United States (5.1%), Japan (2.9%) and Turkey (2.3%) are among the UAE's main suppliers of goods and services (data Comtrade 2022). Recently, the country signed Comprehensive Economic Partnership Agreements with Indonesia and India, with more agreements under discussion with partners like Turkey, Colombia, Ukraine, Cambodia, etc.

The United Arab Emirates has a structurally positive trade balance, but the surplus is closely linked to global oil prices. In 2022, the country recorded a trade surplus accounting for 25.3% of its GDP (World Bank). Preliminary estimates by the UAE government indicate that non-oil foreign trade reached a record AED 1.239 trillion in H1 2023, representing a growth of 14.4% compared to the same period in 2022 and 3% more than H2 2022. The contribution of non-oil exports to the UAE's total foreign trade was 16.6% in H1 2023. Re-exports and imports in the UAE also saw notable expansions: the total value of re-exports amounted to AED 341 billion, marking a 9.9% growth compared to H1 2022 and a 2.2% increase from the second half of 2022. Imports surged to AED 693 billion, indicating a 17.5% rise compared to H1 2022 and a 2.6% uptick from the second half of 2022. China maintained its status as the top global trading partner for the UAE, with India, the U.S., and Saudi Arabia following closely behind.

Foreign Trade Values	2018	2019	2020	2021	2022
Imports of Goods (million USD)	244,688	288,447	246,961	347,529	420,510
Exports of Goods (million USD)	387,964	389,428	335,297	425,160	532,797
Imports of Services (million USD)	72,321	88,196	61,865	76,106	96,917
Exports of Services (million USD)	71,831	90,265	78,121	101,838	154,667

Source: World Trade Organisation (WTO) ; Latest available data

Foreign Trade Indicators	2016	2017	2018	2019	2020
Foreign Trade (in % of GDP)	170.9	172.8	157.9	167.4	166.6
Imports of Goods and Services (Annual % Change)	2.7	3.0	10.9	-5.5	-6.4

Foreign Trade Indicators	2016	2017	2018	2019	2020
Exports of Goods and Services <i>(Annual % Change)</i>	3.4	-2.5	11.5	-1.3	-7.0
Imports of Goods and Services <i>(in % of GDP)</i>	73.2	74.5	65.9	70.7	70.6
Exports of Goods and Services <i>(in % of GDP)</i>	97.7	98.3	92.0	96.7	95.9

Source: World Bank ; Latest available data

Foreign Trade Forecasts	2023	2024 (e)	2025 (e)	2026 (e)	2027 (e)
Volume of exports of goods and services (Annual % change)	3.4	3.5	3.7	4.0	4.3
Volume of imports of goods and services (Annual % change)	4.2	3.5	2.7	3.4	3.8

Source: IMF, World Economic Outlook ; Latest available data

Note: (e) Estimated Data

International Economic Cooperation

The United Arab Emirates is a member of the following international economic organisations: Gulf Cooperation Council (GCC), ICC, Arab Bank for Economic Development in Africa (ABEDA), IMF, Arab Fund for Economic and Social Development (AFESD), G-77, Arab Monetary Fund (AMF), WTO, Arab League, among others. For the full list of economic and other international organisations in which participates the United Arab Emirates click [here](#). International organisation membership of the United Arab Emirates is also outlined [here](#).

Free Trade Agreements

The complete and up-to-date list of Free Trade Agreements signed by the United Arab Emirates can be consulted [here](#).

Main Partner Countries

Main Customers <i>(% of Exports)</i>	2022
Saudi Arabia	5.4%
India	4.9%
United States	2.2%
Oman	2.1%
Hong Kong SAR, China	2.0%
See More Countries	83.3%

Main Suppliers <i>(% of Imports)</i>	2022
China	16.0%
India	6.5%
United States	5.1%

Main Suppliers (% of Imports)	2022
Japan	2.9%
Türkiye	2.3%
See More Countries	67.3%

Source: Comtrade, Latest Available Data

POLITICAL OUTLINE

Current Political Leaders

President: Sheikh Mohamed bin Zayed Al Nahyan (since May 2022)

Prime Minister and Vice-President: Sheikh Mohammed bin Rashid Al Maktoum (since January 2006)

Next Election Dates

Presidential: n/a

Federal National Council (FNC): October 2027

Current Political Context

The UAE has enjoyed a rather stable general political situation despite continuous tensions with Iran and Qatar, as well as the crisis in Lebanon and the conflict in Yemen. In recent years, the UAE normalized its relations with Israel under the U.S.-brokered Abraham Accords, becoming the third Middle Eastern country to recognize the country along with Egypt and Jordan. Nevertheless, the conflict in Gaza may jeopardize the progress made in this sense. With regard to the Russia-Ukraine conflict, the UAE maintained its neutrality.

Following the death of Khalifa bin Zayed Al Nahyan, his half-brother Mohammed bin Zayed Al Nahyan has been officially nominated president of the UAE after ruling de facto the country since his brother suffered a stroke in 2014. In March 2023, the leader of the UAE appointed his eldest son as the Crown Prince of Abu Dhabi, positioning him as the probable successor to the presidency of the Federation.

Among the most important political and economic decisions of 2023, was the introduction of a 9% corporate income tax rate, which became effective as of 1 June 2023. Finally, the UAE hosted the 28th United Nations Climate Change Conference (COP28) between November and December 2023, which put the country in the world's focus.

Main Political Parties

There are no political parties in the UAE.


Executive Power

Each Emirate is governed by an Emir and has its own administration. Every Emir manages his Emirate's resources autonomously.

The [Federal Supreme Council](#), composed of the 7 emirate rulers, is the highest authority of the UAE and holds legislative and executive powers. The Emir of Abu Dhabi, the biggest oil producing Emirate, was elected President of the UAE in 2004, succeeding his father. The Emir of Dubai has been nominated Vice-President and Prime Minister.

Legislative Power

There is only one Chamber: the [Federal National Council](#). It consists of 40 members of which 20 are appointed by the rulers of the seven Emirates, and 20 are indirectly elected, whereby each Emirate has a number of representatives equivalent to its demographic weight. Their mandate is for four years. This council has only consultative functions.



COVID-19 COUNTRY RESPONSE

Travel restrictions

Regularly updated travel information for all countries with regards to Covid-19 related entry regulations, flight bans, test and vaccines requirements is available on [TravelDoc Infopage](#).

To find information about the current travel regulations, including health requirements, it is also advised to consult Travel Regulations Map provided and updated on a daily basis by [IATA](#).

Import & export restrictions

A general overview of trade restrictions which were adopted by different countries during the COVID-19 pandemic is available on the [International Trade Centre's COVID-19 Temporary Trade Measures](#) webpage.

Economic recovery plan

For the general overview of the key economic policy responses to the COVID-19 pandemic (fiscal, monetary and macroeconomic) undertaken by the government of the United Arab Emirates, please consult the country's dedicated section in the [IMF's Policy Tracker platform](#).

Support plan for businesses

For an evaluation of impact of the Covid pandemic on SMEs and an inventory of country responses to foster SME resilience, refer to the OECD's [SME Covid-19 Policy Responses](#) document.

You can also consult the World Bank's [Map of SME-Support Measures in Response to COVID-19](#).