

2025 UAE Outlook

Optimistic GDP Forecasts Set at 4.1% by World Bank

It looks like resilience is going to be the predominant headline for UAE's economic outlook in 2025, after the country managed to maintain its economic and financial stability despite the ongoing regional turmoil.

Key factors driving this resilience include strong consumer spending, record growth in foreign direct investment (FDI) and successful economic diversification efforts.

The UAE's position as a global trade hub, linking Europe, Africa, and Asia, coupled with its reputation as a real estate haven, continues to bolster its growth trajectory. In fact, October saw record-breaking real estate activity, with 19,390 residential transactions, bringing the year-to-date total to 140,000 units, up 36% y/y.

"UAE is projected to sustain robust growth in 2025, with GDP forecasts ranging from 6.2% by the CBUAE, 5.1% by the IMF, and 4.1% by the World Bank", confirms Razan Hilal, Market Analyst, CMT at FOREX.com. She adds: "Inflation in the UAE has been gradually declining, reaching 2.4% y/y in October, the slowest pace since August 2023. The monetary easing cycle initiated by the Federal Reserve and mirrored by the CBUAE is expected to lower interest rates further, boosting economic growth in 2025."

This optimistic outlook is expected to persist despite potential risks tied up to a number of local, regional and global factors, starting with restricted oil revenues as the UAE could face challenges from declining oil prices, exacerbated by oversupply risks from non-OPEC countries and China's slowing economy. Nonetheless, China's vow to shift to a moderately loose monetary policy in 2025, its first since 2011, could stabilize demand.

Simultaneously, non-oil sectors aligned with the D33 Agenda — such as trade, tourism, and technology—will support the UAE's economic growth, aiming to expand foreign trade to AED 25.6 trillion and increase annual FDI to AED 60 billion by 2033.

In this line, Hilal asserts: *"The 2030 AI and sustainable development strategies, along with the launch of 'Sandbox Dubai' for testing and commercializing new technologies, position Dubai as a global innovation hub, driving economic growth and enhancing its leadership in tech innovations."*

On the global front, a Trump presidency could possibly entail fiscal spending and tax cuts, in addition to a strong US dollar, inflationary pressures, and further geopolitical uncertainties. As US indices hit record highs amid optimism for Trump's policies, the UAE MSCI index is also near its 2024 peaks. However, these highs face significant volatility risks due to rising geopolitical tensions, potential impacts of Trump's regional decisions, tariffs, and global trade wars, all of which could affect market sentiment.

Hilal adds: *"Gold prices remain crucial, too, with potential gains reflecting increased haven demand during uncertain times. This poses a challenge for the UAE to sustain its safe-haven status while navigating the global turbulence expected in 2025."*



Keeping up with global political and economic developments is key to shaping a solid perspective of the UAE's future financial performance. Follow www.FOREX.com to stay in the know about UAE's economic projections, forecasts, and market updates throughout 2025.

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