

US-China Tariff Truce Eases Pressure on UAE Economy

Dubai, 14 August 2025- With Washington and Beijing agreeing to extend trade negotiations until November 10, avoiding immediate tariff escalation, global markets are breathing a sigh of relief, and the UAE stands among the key beneficiaries.

The decision by the U.S. and China to keep talks alive has tempered volatility in tech exports and the oil market, both of which are integral to the UAE's trade-linked economy. Lower external trade tension, coupled with contained UAE inflation at 2.4% as of June 2025, is now paving the way for a potential 25 basis-point interest rate cut in September, in line with U.S. Federal Reserve expectations.

Market watchers believe such a move could provide a fresh boost to domestic growth momentum, especially in real estate and equities, two sectors already riding strong uptrends. The UAE MSCI index is trading above 20 and near decade highs, while the real estate sector maintains its safe-haven appeal, with the average transaction value hitting 2.7 million AED in the first half of 2025.

Razan Hilal, Market Analyst, CMT at FOREX.com comments: *"The UAE economy is in a particularly favorable position right now, benefiting from easing trade tensions, stable inflation, and the likelihood of a rate cut. These factors together could sustain bullish sentiment in equities and keep property market demand robust. Even if the global trade environment takes a negative turn, the UAE's diversified partnerships, particularly its strong bilateral ties with China, give it a unique resilience in weathering short-term shocks."*

While the current trade truce provides breathing space, a breakdown in talks could quickly reignite market jitters. However, the UAE's diversified economic base, expanding non-oil sectors, and strategic positioning as a global trade hub offer buffers against such turbulence.

In this context, Hilal further comments: *"In case of renewed tariff pressure, supply chain adaptability and strong Asia-GCC trade links could be key stabilizing forces. For now, the UAE's economic outlook remains constructively bullish, with monetary policy, sectoral momentum, and global trade diplomacy aligning in its favor."*

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