

UAE MARKETS: THE MOMENTUM WITHIN DUBAI'S FINANCIAL HUB



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MACRO AND ECONOMIC PULSE

The UAE economy faces both tailwinds and subtle headwinds. The Central Bank of the UAE (CBUAE) projects real GDP growth of 4.4% in 2025 and 5.4% in 2026, with non-hydrocarbon GDP rising about 4.5% in both years. Hydrocarbon activity is set to pick up, growing 4.1% in 2025 and accelerating in 2026.

The CBUAE has revised its 2025 inflation forecast to around 1.9%, with a similar outlook for 2026. While overall inflation is subdued, housing, utilities and other non-tradable sectors bear watching. External risks such as oil-price volatility, global rate trends and geopolitical instability could all sway performance. The Dirham's US-dollar peg provides currency stability, but import costs, shipping pressures and the wider trade climate add sector-specific risk.

DUBAI INTERNATIONAL FINANCIAL CENTRE: FROM GATEKEEPER TO GROWTH ENGINE

DIFC is moving beyond a traditional financial centre to an innovative growth ecosystem. Licensing for fintech and digital finance is accelerating. Family offices and asset managers are arriving with demands for themed investments, stronger ESG metrics, technology-adjacent models and clear regulatory guidance.

Dubai combines a mature financial-services base with a push into next-generation sectors. This offers first-mover advantage in emerging segments but also regulatory, valuation and capacity challenges — particularly around talent, compliance and governance.

DYNAMICS AND TRENDS

Private investment in digital platforms and fintech continue to rise, with larger, more disciplined deals. Fixed income and sukuk markets (Shariah-compliant instruments) are maturing as sovereign and quasi-sovereign issuance expands. Mid-term sukuk of three to seven years attract interest for their yield potential, especially as global rates may ease only gradually.

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With sustainability embedded, regional firms face pressures for credible climate and environmental disclosures, supporting the rise of green bonds and sustainable sukuk projects. Sectoral momentum is shifting too: logistics, clean energy, AI and automation, digital health and supply-chain technology are emerging long-term growth stories. They require longer lead times, heavier regulation and carry higher execution risk, often underestimated by investors.

INTERNATIONAL INVESTORS

For international investors, confidence is rising as regulatory frameworks mature, improving market infrastructure and protections. Liquidity, however, remains uneven. Not all UAE-listed equities or structured products trade easily, so large positions demand close attention to exit costs and market depth.

Cross-border tax considerations are another factor. While the UAE has no personal income tax, corporate-tax rules, treaty arrangements and OECD minimum-tax frameworks can affect returns and add complexity. And despite strong domestic momentum, UAE sectors remain exposed to global shocks—from shifts in interest rates and energy prices to trade disruptions.

FORWARD VIEW

One theme worth watching into 2026 and beyond is whether inflation in non-tradable sectors such as housing and utilities begins to increase, forcing policy tightening.

Another is how effectively DIFC can scale its regulatory, compliance and talent frameworks to cope with greater complexity from fintech, ESG requirements, and cross-border investment, including potential dual listings.

The resilience of UAE sectors will also be tested if external demand weakens, weather from Europe, Asia or other key partners, or if lower oil prices erode hydrocarbon tailwinds.

Above all, the ability of companies to execute consistently on governance, project implementation, and risk control will determine which opportunities truly endure.



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