MONTHLY ECONOMIC

NEWSLETTER

June 2026

Key Highlights

- The S&P Global UAE PMI eased to 52.1 in April 2026 from 52.9 in the previous month, due to supply chain disruptions and decline in new order growth. However, PMI remained above 50.0, indicating business expansion.
- As reported by UAE FCSC, UAE's real GDP grew by 6.2% in 2025, reaching a total of AED 1.9 trillion, driven by the non-oil sector, which expanded by 6.8% to AED1.5 trillion during the period.
- The CBUAE launched the "Tourist Identity" initiative that in partnership with a domestic bank that enables visitors to open secure bank accounts instantly upon arrival through biometric verification.
- U.S. and Iranian negotiators have reached a tentative agreement to extend their current ceasefire by 60 days and resume talks, pending final approval from leadership on both sides.
- While UAE-South Korea CEPA took effect on 1st May 2026, Maldives is in advanced talks to establish a CEPA with the UAE to boost market access.
- Ongoing regional conflict has significantly disrupted shipping via GCC ports, causing steep monthly declines in ship arrivals across the UAE (-23.7%), Saudi Arabia (-40%), and Oman (-31.5%) throughout May 2026. In response, Saudi Arabia is shifting trade toward the Red Sea via new services like the "Red Sea Express" to bypass traditional, high-sensitive corridors.

Key Economic Indicators

Monthly economic indicators	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	Apr-26	May-26	2026F
Interest rates (UAE Policy rate)	4.4%	4.4%	4.4%	4.4%	4.15%	3.9%	3.9%	3.65%	3.65%	3.65%	3.65%	3.65%	3.65%	3.65%
Credit growth, y/y	10.4%	11.1%	12.6%	14.4%	14.7%	15.7%	17.1%	17.9%	18.8%	19.3%	20.3%	-	-	-
Deposit growth, y/y	12.7%	13.1%	12.6%	14.2%	15.4%	14.3%	15.4%	16.2%	17.5%	18.4%	17.4%	-	-	-
IHS Markit, PMI Composite	53.3	53.5	52.9	53.3	54.2	53.8	54.8	54.2	54.9	55.0	52.9	52.1	-	-
Dubai inflation, y/y change	2.37%	2.37%	2.88%	2.43%	2.88%	3.36%	2.73%	2.99%	-	-	-	-	-	-
Abu Dhabi inflation, y/y change	-0.6%	-0.7%	0.1%	-0.5%	0.2%	1.5%	0.9%	1.5%	1.6%	1.1%	-	-	-	-
Dubai General Index (DFMGI)	3.3%	4.1%	7.9%	-1.6%	-3.7%	3.8%	-3.7%	3.6%	6.4%	1.1%	-16.4%	6.1%	-0.1%	-
FTSE ADX General Index	1.6%	2.8%	4.1%	-2.7%	-0.8%	0.9%	-3.5%	2.5%	2.9%	1.7%	-8.9%	2.7%	-0.8%	-

Source: LSEG Workspace, Abu Dhabi Statistics Centre, CBUAE, Dubai Statistics Centre, FOMC March 2026 Projections, S&P Global. Note: f-Forecast.

- The S&P Global UAE PMI eased to 52.1 in April 2026 from 52.9 in March, dropping for the second month in a row, yet remaining above the 50.0 mark. This reflects a broader cooling of economic momentum as the ongoing regional conflict intensifies supply chain disruptions and softens consumer demand. New order growth slowed to a five-year low due to a combination of lower client spending and a downturn in tourism. Export orders recorded their sharpest decline since 2009, excluding the pandemic era, owing to shipping constraints in the Strait of Hormuz.
- As reported by UAE FCSC, UAE's real GDP grew by 6.2% in 2025, reaching a

total of AED 1.9 trillion, driven by the non-oil sector, which expanded by 6.8% to AED 1.5 trillion during the period.

- During the period 2022-2026, bilateral trade between the UAE and India has surged by 37%, driven by a 41% increase in UAE's exports to India and a 30% rise in Indian exports to the UAE.
- On April 30, 2026, the CBUAE, in collaboration with the Federal Authority for Identity, Citizenship, Customs and Port Security (ICP) and a domestic bank, inaugurated the "Tourist Identity" initiative. This digital-first framework leverages advanced biometric and facial recognition technology to facilitate the instantaneous opening of secure bank accounts for non-resident visitors upon arrival.
- Dubai's real estate sector demonstrated significant resilience in April 2026, with registered transaction values rising by 20% to reach AED 68.6 billion (USD 18.7 billion). According to an analysis by Elite Merit Real Estate, this performance marks the market's first decisive recovery following a temporary slowdown experienced in late February, which had been driven by broader regional geopolitical volatility.
- On May 12, 2026, the Central Bank of the UAE (CBUAE) granted its first-ever Stored Value Facilities (SVF) license for cryptocurrency payments to Crypto.com's regional entity, Foris DAX Middle East FZE. This landmark regulatory approval enables the platform to offer regulated digital asset payment services, with a primary focus on allowing UAE residents to pay for government service fees using cryptocurrencies.

U.S-Iran Geopolitical Developments

- While an April 8, 2026, two-week ceasefire remained in effect, Iran continued to demand concessions, including sovereignty over the Strait of Hormuz, that the U.S. officially rejected.
- Iran also conditioned the resumption of negotiations with the U.S on the immediate release of USD 12 billion in frozen assets currently held in Qatar. This USD 12 billion represents only an initial payment to begin the diplomatic process. Tehran maintains that the full release of all its frozen assets globally must be a component of any final, comprehensive agreement.
- The U.S Treasury, on the other hand, warned that any entities paying Iran for passage through the Strait of Hormuz, whether paid through cash, digital assets, or in-kind donations, risked facing secondary sanctions from the U.S.
- As of late May, U.S. and Iranian negotiators have reached a tentative agreement to extend the existing ceasefire for 60 days and launch a new round of nuclear talks. However, the agreement and ceasefire remain tentative, pending formal agreement by leadership on both sides.
- Despite these ongoing ceasefire efforts, there have been continued military exchanges between the two sides.
- The negotiations aim to address Iran's highly enriched uranium stockpile and the long-term status of its nuclear program.
- The International Atomic Energy Agency (IAEA) estimates that Iran maintains a stockpile of approximately 440.9 kilograms of uranium enriched to 60% purity.
- However, despite the progress towards a tentative deal, the U.S. Treasury Department imposed new sanctions late in the month targeting the Iranian military's oil sales arm.
- These actions fall under the administration's "Economic Fury" campaign, which seeks to prevent the Iranian government from using oil revenue to rebuild its armed forces and fund military operations.

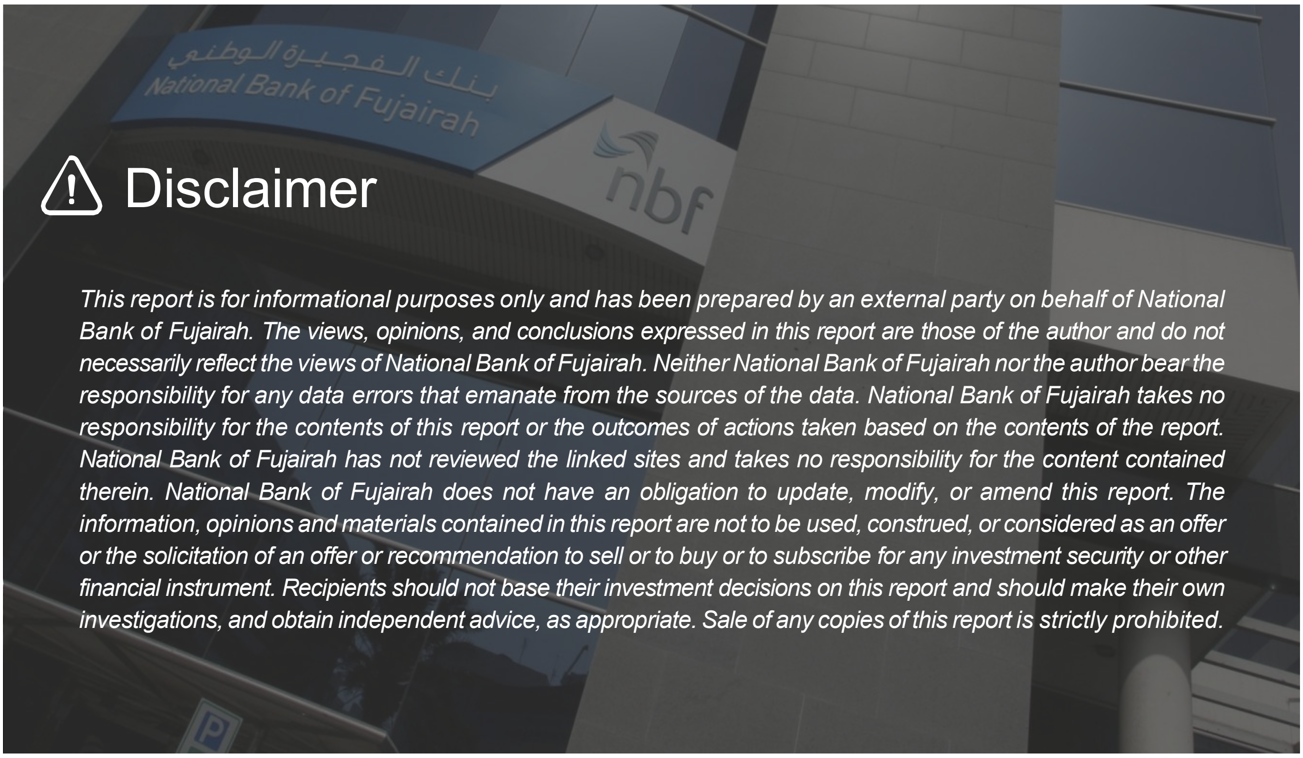
UAE Economic Cooperation

- **UAE and Austria strengthen partnership:** On 22nd May 2026, both countries signed an MoU to launch a High-Level Dialogue Platform to boost private-sector investment and collaboration. Following a 16.4% y/y growth in non-oil foreign trade with Austria at USD 2.1 billion in 2025, the focus is on expanding cooperation in renewable energy, technology, and manufacturing sectors.
- **UAE and Ghana strengthen cooperation:** On 20th May 2026, the countries began CEPA negotiations covering key sectors such as renewable energy and artificial intelligence.
- **UAE and Netherlands advance strategic cooperation:** On 10th May 2026, the two nations engaged in high-level ministerial and institutional meetings to strengthen bilateral cooperation in energy, water, climate resilience, and trade. Key formal actions included the execution of an MoU to foster collaboration on water diplomacy, capacity building, and research.
- **UAE-South Korea CEPA comes into effect:** Effective 1st May 2026, the UAE-South Korea CEPA officially came into force, marking the Republic of Korea's first such deal with a GCC and MENA nation. This agreement aims to boost trade, investment, and private-sector collaboration by eliminating or reducing tariffs on 91.2% of goods over the next decade.
- **UAE-Philippines technology partnership:** On 12th May 2026, Philippines and the UAE integrated their recent CEPA with artificial intelligence development under the "Pax Silica" framework. High-level officials agreed to support the development of a 4,000-acre AI-native industrial hub in Luzon (Philippines), which is being established in collaboration with the U.S.
- **UAE strengthen economic ties with India and Türkiye:** In May 2026, the UAE strengthened its international economic and strategic ties by signing two Memoranda of Understanding (MoUs) with Türkiye to bolster business cooperation, and formalizing a series of comprehensive agreements with India, spanning energy security, defense, a major supercomputing cluster, and maritime industry development.
- **UAE-Maldives to sign CEPA:** The Maldives government is in advanced negotiations to establish a CEPA with the UAE. The agreement seeks to provide stronger market access for Maldivian fish products in the UAE.

Spotlight: Maritime Logistics Trends in the GCC

- The recent conflict in the Middle East has altered trade dynamics across the GCC region's maritime corridors, increasing operational uncertainties and encouraging GCC countries to diversify routes beyond traditional transit points such as the Strait of Hormuz.
- The ship transits through the Strait of Hormuz was 112 in May 2026 compared to a monthly average of 2,850 in 2025. The volume of trade has declined to 4.4 million metric tonnes during the month compared to a monthly average of 1,09 million metrics tonnes in 2025.
- For instance, Saudi Arabia is restructuring its maritime trade to bypass the highly sensitive routes.
- In May 2026, the Saudi Ports Authority (Mawani) launched the "Red Sea Express." This container service links King Fahd Industrial Port in Yanbu with Ain Sokhna (Egypt) and Aqaba (Jordan), with a carrying capacity of up to 1,100 TEUs, to sustain trade flows despite regional instability.
- As a result, value of outgoing shipments from King Fahd Industrial Port (Saudi) increased 5% month-over-month in May 2026.
- Furthermore, the value of outgoing shipments from Saudi's Yanbu Commercial Port witnessed ~39% month-over-month increase in May 2026, highlighting Saudi Arabia's strategic shift of its maritime trade towards the Red Sea.
- However, the total number of shipment arrivals and the value of shipments to/from Saudi Arabia and the UAE declined in May 2026.
- Ship arrivals in Saudi Arabia declined from 755 in April to 576 in May 2026, a 23.7% month-over-month decline.
- Meanwhile, ship arrivals in UAE dipped from 672 in April to 403 in May 2026, registering a 40% month-over-month decline.
- While Oman's ship arrivals dipped by 31.5% month-over-month in May 2026, declining from 390 in April to 267 in May, ship arrivals in Kuwait remained negligible due to the impact of ongoing regional war attacks.
- This highlights that the ongoing regional conflict and the absence of a concrete ceasefire continued to disrupt supply chains and create logistical bottlenecks in the GCC.
- On 15th May, Abu Dhabi National Oil Company (ADNOC) announced plans to increase its crude oil inventory within India's Strategic Petroleum Reserves (SPR) to up to 30 million barrels, reinforcing bilateral energy cooperation between the countries.
- India and ADNOC agreed to explore the establishment of crude oil storage facilities in Fujairah. Fujairah has emerged as one of the most strategically important energy hubs due to its location outside the Strait of Hormuz. The port is enabling the UAE to export crude oil directly to global markets without transiting the Strait of Hormuz.
- However, ship arrivals at the Fujairah port have witnessed a sharp decline in May 2026 to 43 compared to 142 in the previous month.
- A resolution to the conflict and the stabilization of regional security would restore the UAE's standing as a primary global trade hub.

Source: IMF PortWatch (Data as of 22nd May, 2026, Latest data points are subject to revision), Gulf News



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