MONTHLY ECONOMIC

NEWSLETTER

August 2026

Key Highlights

- The UAE S&P Global PMI dropped to 50.8 in June, signaling the weakest non-oil private sector expansion in over five years. Driven by geopolitical friction and inflation, output growth slowed while employment contracted at its sharpest rate since August 2020.
- On July 29, 2026, the U.S. Federal Reserve held the policy rate steady at 3.50% - 3.75% as inflation remained above the 2% target. Mirroring the U.S. Fed, CBUAE held its policy rates at 3.65% with short-term liquidity borrowing rates at 50 bps above the base rate.
- On July 24, 2026, the U.S. imposed tariffs under section 301 of the Trade Act of 1947 (forced labour import ban) on 60 countries. Exports from the UAE attract a 12.5% baseline rate compared to 10% previously.
- UAE's non-oil foreign trade reached AED 1.94 trillion in H1 2026 representing an annual growth of 13.1%. UAE's non-oil exports reached a record high of AED 452.8 billion, registering a growth of 23.9% y/y.
- Shipping activity through the Strait of Hormuz slowed in July 2026 when compared to June following the geopolitical escalation. The 7-day moving average of ships through the Strait plummeted by 56% from 25 as of June 25, 2026, to 11 as of July 20, 2026.
- Amid the geopolitical escalation oil prices closed at USD 90.12 per barrel at the end of July 2026, registering an increase of 23.6% compared to USD 72.92 per barrel at the end of June 2026. While supply-chain concerns exist, UAE's oil production surged by 80% from 2.8 million barrels per day in May 2026 since its exit from the OPEC to 3.8 million barrels per day in June 2026. Oil production increased by 11.8% in June 2026 from 3.4 million barrels per day in February 2026 (pre-war).

Key Economic Indicators

Monthly economic indicators	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	Apr-26	May-26	Jun-26	Jul-26	2026F
Interest rates (UAE Policy rate)	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%	3.65%	3.9%
Credit growth, y/y	11.1%	12.6%	14.4%	14.7%	15.7%	17.1%	17.9%	18.8%	19.3%	20.3%	20.4%	19.2%	-	-	-
Deposit growth, y/y	13.1%	12.6%	14.2%	15.4%	14.3%	15.4%	16.2%	17.5%	18.4%	17.4%	17.0%	14.7%	-	-	-
IHS Markit, PMI Composite	53.5	52.9	53.3	54.2	53.8	54.8	54.2	54.9	55.0	52.9	52.1	52.6	50.8	-	-
Dubai inflation, y/y change	2.37%	2.88%	2.43%	2.88%	3.36%	2.73%	2.99%	-	-	-	-	-	-	-	-
Abu Dhabi inflation, y/y change	-0.7%	0.1%	-0.5%	0.2%	1.5%	0.9%	1.5%	1.6%	1.1%	-	-	-	-	-	-
Dubai General Index (DFMGI)	4.1%	7.9%	-1.6%	-3.7%	3.8%	-3.7%	3.6%	6.4%	1.1%	-16.4%	6.1%	-0.1%	1.1%	-2.7%	-
FTSE ADX General Index	2.8%	4.1%	-2.7%	-0.8%	0.9%	-3.5%	2.5%	2.9%	1.7%	-8.9%	2.7%	-0.8%	3.4%	1.1%	-

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

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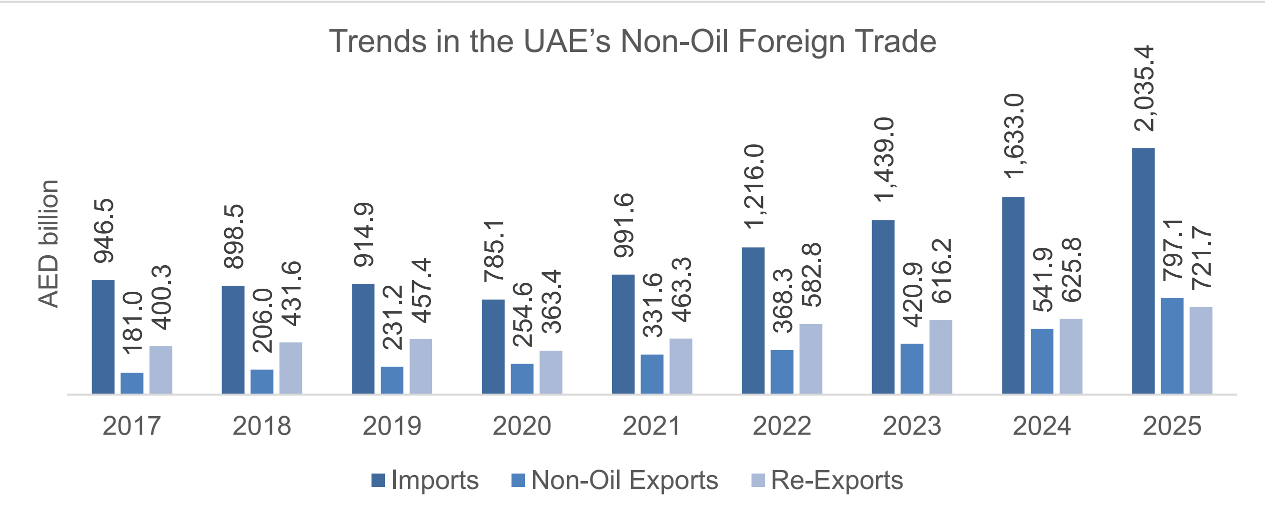
inflation, output growth slowed while employment contracted at its sharpest rate since August 2020.

- On July 29, 2026, the U.S. Federal Reserve held the policy rate steady at 3.50% - 3.75% as inflation remained above the 2% target. Mirroring the U.S. Fed, CBUAE held its policy rates at 3.65% with short-term liquidity borrowing rates at 50 bps above the base rate.
- Amid the regional uncertainty, banks in the UAE have deferred repayments on loans worth AED 13.5 billion as of July 2026 since it introduced the package in March, for more 135,000 customers under the CBUAE's Support Package. Highest share of deferred loans went to large companies (67%) followed by SMEs (18%) and individuals (15%).
- Dubai's GDP reached AED 232 billion in Q1 2026 representing an increase of 2.4% y/y, highlighting its resilience driven by the diversity and integration of its economic ecosystem.
- UAE recorded a fiscal deficit of AED 10.4 billion in Q1 2026 for the first time in four years. Revenue remained broadly stable on an annual basis but registered a decline of 22% q/q to AED 122 billion due to fall in oil revenue. Expenditure increased 23% y/y, but down 1.2% q/q at AED 132 billion primarily driven by higher capital expenditure.
- On July 24, 2026, the U.S. imposed tariffs under section 301 of the Trade Act of 1947 (forced labour import ban) on 60 countries. Exports from the UAE attract a 12.5% baseline rate compared to 10% previously.
- Etihad Credit Bureau incorporated Buy Now Pay Later (BNPL) data into credit reports effective from July 2026 to enhance consumer financing transparency.



Source: UAE FCSC

U.S-Iran Geopolitical Developments

- On July 10, 2026, the ceasefire agreement between the U.S. and Iran collapsed amid the renewed military escalation. However, talks between US and Iran is set to take place on 3rd August 2026, however, details of where the meeting is set to take place remained undisclosed, according to The Guardian.
- Shipping activity through the Strait of Hormuz slowed in July when compared to June following the geopolitical escalation. The 7-day moving average of ships through the Strait plummeted by 56% from 25 as of June 25, 2026, to 11 as of July 20, 2026.
- While airports in the UAE remained operational, several airlines have suspended, rerouted or reduced flights through the region until October 2026 due to security concerns.
- UAE is also focused on mitigating its strategic vulnerabilities in supply chain and reducing its

dependance on the Strait of Hormuz.

- On July 22, 2026, UAE's DP World announced that it is building 2 new terminals in Fujairah to reduce the dependence on the Strait of Hormuz. The new terminals are expected to increase DP World's total handling capacity in UAE to nearly 22 million twenty-foot-equivalent units (TEUs) from 19.4 million TEU at present.
- Amid the geopolitical escalation oil prices closed at USD 90.12 per barrel at the end of July 2026, registering an increase of 23.6% compared to 72.92 per barrel at the end of June 2026. It reached USD 100.69 per barrel on July 23, 2026, which is highest since June 2026. While supply-chain concerns exist, UAE's oil production surged by 80% from 2.8 million barrels per day in May 2026 since its exit from the OPEC to 3.8 million barrels per day in June 2026. Oil production increased by 11.8% in June 2026 from 3.4 million barrels per day in February 2026 (pre-war).

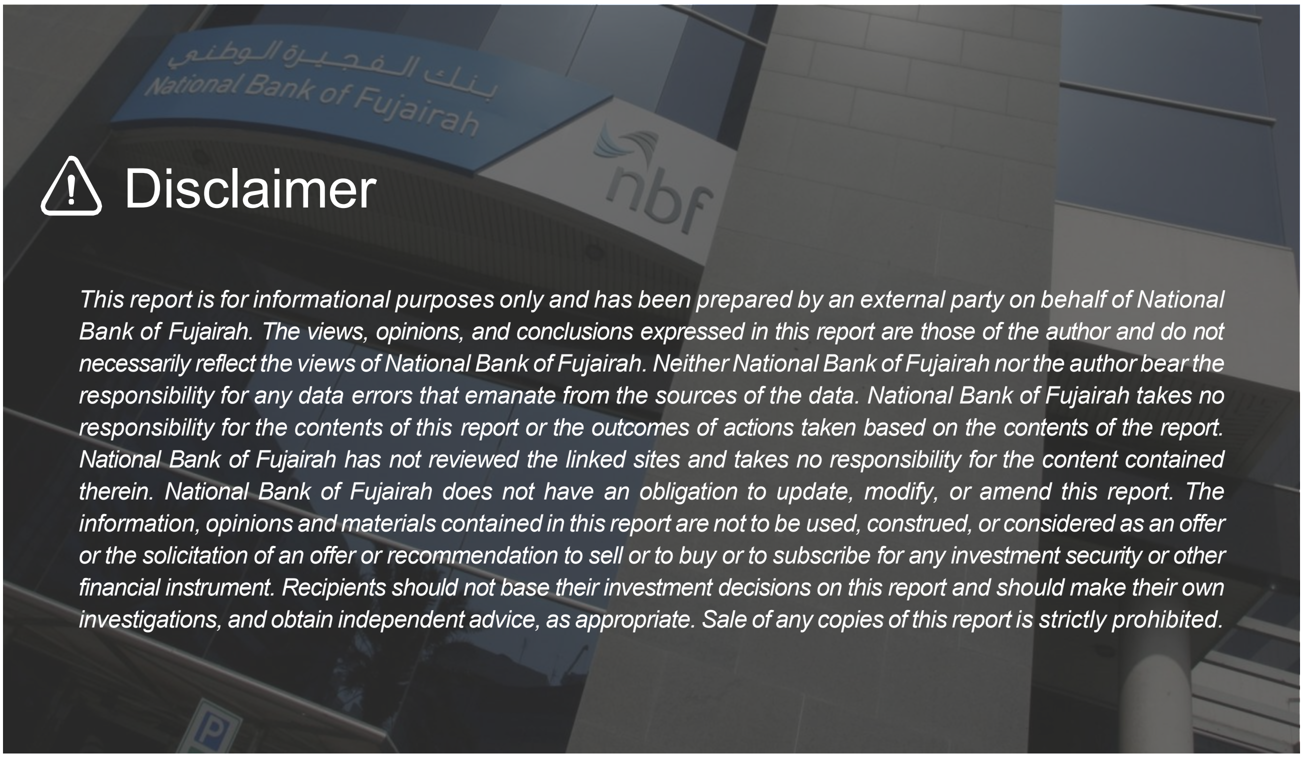
UAE Economic Cooperation

- **UAE - Australia CEPA signed:** On 2 July 2026, Australia and the UAE signed the CEPA, to remove tariffs on over 99% of Australian exports and boosts cooperation in agriculture, renewable energy, critical minerals, and investment, strengthening long-term trade ties between the two countries.
- **UAE–Kenya strengthens business ties under CEPA:** On 20 July 2026, the Dubai Chamber of Commerce launched the Kenyan Business Council to connect Kenyan enterprises with Dubai counterparts and expand bilateral trade opportunities.
- **UAE Jordan sign MoU to establish a joint consular committee:** On 23 July 2026, UAE and Jordan signed an MoU to enhance consular cooperation to streamline cross-border operations, workflows and citizens services.
- **UAE and Canada conclude CEPA negotiations:** On 24 July 2026, UAE and Canada concluded their CEPA negotiations in record time. Once implemented, it seeks to reduce tariffs and trade barriers while expanding market access for business in both countries.

Spotlight:

- UAE's trade performance was driven by non-oil foreign exports in the first half of 2026. UAE's non-oil exports reached USD 1.94 trillion in H1 2026, registering a 13.1% y/y increase. UAE's non-oil exports reached record high of AED 452.8 billion recording an increase of 23.9%.
- The share of total non-oil foreign trade rose to 23.4% in H1 2026, from 21.3% in the same period in 2025. This reflects a structural transformation in the national economy towards a growth model anchored in production, exports and value addition.
- Gold was the most traded commodity with a value of AED 706.2 billion in H1 2026, followed by telecom sector at AED 189.7 billion. The top ten traded commodities accounted for 67% of the country's total non-oil merchandise.
- UAE's trade with top ten trading partner witnessed a growth of 12.6% y/y and the rest of the world grew by 13.6% y/y. China remained UAE's largest trading partner with total non-oil foreign trade at AED 180.7 billion, followed by Switzerland at AED 138.4 billion and India at AED 107.5 billion.
- The growth in foreign non-oil trade underscores the expanding impact of CEPA on UAE's trade volume.
- As of July 2026, UAE has concluded 37 CEPAs with 18 currently in force. Fully implemented non-oil trade with CEPA partners reached AED 304.3 billion and imports from those countries reached AED 193.5 billion as of H1 2026.

Source: Government of Dubai Media Office



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