CCI FRANCE UAE

The Weekly Business Briefing

Sectoral Note

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Since the onset of the crisis on 28 February, our community has been navigating a complex and rapidly evolving environment. The two-week ceasefire in place since 8 April, while encouraging, remains fragile and calls for continued vigilance and adaptability.

In this context, CCI France UAE is progressively resuming office presence and selected in-person events, following a cautious and flexible approach. This gradual return reflects our commitment to ensuring continuity while remaining fully aligned with the evolving situation.

Throughout this period, our team has remained fully mobilized, with a clear focus: supporting our members. We continue to listen, advise, connect, and adapt our actions to your needs, so that you are not facing this situation alone.

A special thank you to this week's experts: Julien Velud, Economic Attaché at the Ministry of Economy and Finance – French Treasury, who engaged with our members from the Energy and FMCG sectors; Yves Michel Gabay, Managing Director MEA, Gamned MEA, who contributed to our MarCom Committee meeting and shares this week in the briefing a practical guide for communication leaders on business resilience and best practices in the current context; and Amarante for providing its note, "Ceasefire in the Middle East: what evolution prospects."

This Weekly Business Briefing is part of that commitment - providing you with reliable information and actionable insights to support informed decision-making. As we move forward with both prudence and confidence, our team stands by your side, ready to support you every step of the way.

Kind regards,

The CCI France UAE Team

Energy & FMCG Committees

Crisis resilience and operational impacts across the region, introduced by Julien Velud, Economic Attaché at the Ministry of Economy and Finance – French Treasury

This synthesis is based on exchanges between energy and FMCG stakeholders operating across the Middle East. It highlights the main sectoral dynamics, operational adjustments, and emerging challenges, while preserving anonymity.

The session began with an intervention by Julien Velud, Economic Attaché at The Ministry of Economy and Finance – French Treasury, who shared a clear overview of the current geopolitical situation and its economic consequences for the Gulf region. His presentation focused on the impact of the conflict on energy markets, regional growth, and several key sectors of the UAE economy. He outlined a number of possible scenarios for how the situation could evolve, helping to frame both the immediate risks and the longer-term outlook.

Geopolitical context: a fragile ceasefire

A two-week ceasefire was announced on 8 April 2026 between the United States and Iran, under Pakistani mediation. It is supposed to provide for the temporary reopening of the Strait of Hormuz and the suspension of military strikes. Iran has put forward ten points, while the United States has presented fifteen, reflecting the complexity of the discussions ahead. While this ceasefire signals a transition toward diplomacy, the core challenge remains the reconciliation of fundamentally divergent positions, making the outcome highly uncertain. Several observers note that the truce could merely postpone a larger conflict, thereby prolonging the period of uncertainty.

A major energy shock with global repercussions

After 40 days of conflict, the closure of the Strait of Hormuz removed approximately 18 million barrels per day from global markets, creating an unprecedented supply shock.

Mitigation measures have been implemented: the Saudi East-West pipeline via Yanbu (5-7 million barrels per day), the Fujairah route (1.5-1.8 million barrels per day), a release of 400 million barrels from strategic reserves (roughly 2 million barrels per day), and a partial easing of sanctions adding about 1 million barrels per day.

Despite these efforts, daily losses for GCC countries are estimated at around USD 700 million, of which USD 160-180 million for the UAE alone.

A regional economic downturn with uneven resilience

The crisis has abruptly halted several years of strong economic growth across the Gulf. According to Goldman Sachs, with a scenario of a 2-month closure of the strait of Hormuz, forecasts for 2026 point toward a generalized recession, with varying degrees of impact. Kuwait and Qatar are expected to contract by around 10%, followed by Bahrain and the UAE by approximately 8%, Saudi Arabia by around 5%, and Oman by a more limited 1%.

These differences are explained by structural factors: Saudi Arabia benefits from Red Sea access (it managed to continue oil exports through its East West pipeline to Yanbu), while Oman's neutrality and its port of Salalah have provided relative resilience.

The UAE: from growth engine to economic vulnerability

In the United Arab Emirates, the macroeconomic impact is particularly pronounced. Financial markets have declined sharply, with Abu Dhabi down by about 10% and Dubai by 16% despite a recent rebound post cease-fire. More concerning is the scale of capital flight, which according to S&P could reach around USD 130 billion, raising serious doubts about the likelihood and timing of its return. The PMI remains above 50 but has dropped to its lowest level since the COVID-19 crisis, signaling a significant slowdown. Inflation has so far been contained by government intervention, but underlying pressures are building. Logistics costs have multiplied by two or three and given the UAE's heavy dependence on imports (over 90% of domestic consumption), price increases are likely in the coming months, even in the event of a rapid de-escalation.

Severe disruptions across key sectors

Tourism, which accounts for around 13% of GDP, has been particularly affected, with hotel occupancy rates dropping from approximately 90% to just 10%, and cancellation rates exceeding 80% for the second quarter. Even with a peace agreement, recovery is expected to be slow, making a full rebound unlikely before the last quarter of 2026 or early 2027.

The aviation sector, representing 18% of the UAE's GDP and up to 27% in Dubai, is also under significant pressure. Daily flights have fallen to between 400 and 500, compared to 1,000-1,200 previously, weakening Dubai's position as a global hub. Some airlines have suspended flights until the end of 2026 (Air France until May 4th).

In real estate, which contributes around 5% of GDP, first estimates show that prices have declined by 12-15%, while transactions have dropped by approximately 40% year-on-year, reflecting a broad loss of investor confidence. Supply already exceeded demand before the war, raising the risk of extreme oversupply in 2026-2027.

Logistics flows have been severely disrupted, with major ports such as Jebel Ali and Khalifa Port operating at only about 30% of capacity. Fujairah, which bypasses Hormuz, handles 80-90% of residual traffic, but overall activity remains very low. Alternative routes via Jeddah followed by land transport have been implemented but remain less efficient.

The food retail and consumer goods sector has so far been less impacted than tourism or aviation. Stocks are reported to be sufficient for most partners, and air freight continues to function. March performance was relatively stable, but a declining trend appeared in April, with some major retailers seeing activity fall by 15-20% as consumers become more cautious. While no major shortages have been observed, approximately 10% of products are currently unavailable, compared to a normal 3-5%, mainly affecting specific brands. Food stocks cover three to six months, with fresh produce being more vulnerable. Traditional local markets (fishing, fresh food) have experienced disruptions, partly compensated by air imports from New Zealand, Australia and Brazil, but at higher costs.

Social and demographic shifts

The French resident community in the UAE is estimated at around 60,000 people, mostly in Dubai. At the beginning of the conflict, nearly 15,000 French tourists were stranded; they have most likely left since then. Between 10,000 and 15,000 French residents may have left temporarily, although it remains difficult to distinguish permanent departures from school holidays. Many Europeans have left the country, while Arab residents have largely stayed, not returning to Lebanon or Syria. The demographic growth trend, previously forecast at 4% annually, could drop to 1% over 2026-2027. Schools are still operating, but a shift to online teaching might discourage some families from returning.

Scenarios and the central role of confidence

Several scenarios can be considered. The most critical to avoid is a regional escalation involving the UAE, which, although unlikely, would have severe and long-lasting economic consequences.

The most probable scenario is a gradual return to normal without regime change in Iran. However, even in this case, the key issue will be restoration of confidence. Investors and tourists are now more aware of the region's geopolitical risks, particularly the proximity of Iran across the strait, which could weigh on future investment decisions, especially in strategic sectors such as energy, artificial intelligence, cybersecurity, and advanced technologies.

A third, less likely but more favorable scenario would involve a regime change in Iran, leading to a more stable regional environment and a faster recovery driven by renewed confidence.

In all cases, the decisive factor is not merely the resolution of the conflict, but the perception of long-term stability in the region.

Capital flight and the challenge of restoring attractiveness

According to rating agencies, the estimate of a potential outflow of more than $140 billion from the UAE raises a key question: under what conditions could these capital flows return? A durable peace agreement improved geopolitical stability, and the maintenance of the country's economic attractiveness will all be essential. Targeted incentives may also play a role, but ultimately, investor confidence will be the determining factor.

Questions and answers

The following points summaries the main questions raised by participants and the responses provided by Julien Velud.

Capital flight – the potential outflow, estimated at USD 140 billion according to rating agencies, could rise further in the event of a prolonged conflict. It involves not only institutional investors but also funds and companies. Their return depends on a durable ceasefire and clear political guarantees; the movement was driven by fear.

Estimated recovery timeline (scenario without regime change) – The year 2026 will most likely be a recession year. A significant rebound could begin around Q4 of 2026, but confidence remains the biggest unknown. Key sectors (tourism, aviation, logistics) will be affected for several months after the war ends.

Impact on French companies – No halt in tenders has been reported, but a slowdown is observable. The most affected sectors are consulting (cancellations for self-employed professionals), hospitality and restaurants, with tourism not expected to recover before the end of October at the earliest.

Return of Emirati investments in France (data centers) – No short-term impact is foreseen. The UAE's sovereign funds (USD 2.5 trillion cumulative assets) and colossal reserves may even accelerate diversification away from oil, which could benefit long-term partnerships with France.

Conclusion

This crisis constitutes a systemic shock for Gulf economies, exposing their structural dependence on energy flows, global supply chains, and international investor confidence. Even in the case of a rapid resolution, economic and psychological effects are likely to persist over time. The central challenge for the region will therefore be to restore credibility, reassure investors, and rebuild a perception of long-term stability.

Luxury & Retail Committee

Resilience Amidst Uncertainty: The Luxury Sector Navigates the Sixth Week of Regional Conflict

As the geopolitical landscape between the United States, Iran, and Israel enters its sixth week of volatility, the luxury sector in the GCC is currently defined by a state of guarded adaptation. The announcement of a 14-day ceasefire on 8 April provided a much-needed tactical pause, yet the atmosphere within the industry remains one of "temporary calm" rather than resolution.

The Human Element: Managing a Skeptical Workforce

Inside the corporate offices and boutiques of the region's premier brands, the psychological impact of the conflict continues to outweigh the relief of the ceasefire. Some members report that while the pause in strikes is welcome, staff anxiety remains high. This has forced a shift in management priorities toward a "Duty of Care" model. In anticipation of today's high-stakes talks, some brands have already restricted staff mobility, with a significant portion of the workforce pivoting to remote operations. The status of young talent, specifically those on V.I.E contracts, remains a point of contention; brands are currently split between maintaining their presence in the UAE and preparing for temporary relocation

Logistics and the "Two-Week" Sprint

The logistics of luxury have been fundamentally altered by the "managed" restrictions currently governing the Strait of Hormuz. Despite the ceasefire, the maritime corridor remains a bottleneck, restricted to a fraction of its normal capacity under military supervision. This reality has discouraged the majority of brands from attempting an aggressive "emergency inflow" of stock. Instead, the industry has shown remarkable agility by embracing a "Plan B" centered on land-bridge logistics through Saudi Arabia and Oman. This shift toward overland transport is becoming a permanent fixture of regional strategy, especially as logistics providers continue to levy "War Risk" surcharges, keeping operational costs at historic highs despite the cessation of active strikes.

Consumer Behavior and the Paradox of Local Truce

While the UAE remains physically secure, the luxury consumer is currently trapped in a "wait-and-see" paradox. The expected "bounce back" in boutique footfall has yet to materialize, a majority of members report stagnant traffic since the ceasefire began. This hesitance is largely driven by the broader regional context; many clients feel that the ongoing tensions in Lebanon and the wider Levant outweigh the benefits of a localized truce. Consequently, the industry has hit a standstill regarding marketing activations. Many brands remain undecided on whether to resume VIP events, choosing instead to wait for a definitive signal from tomorrow's negotiations before re-engaging in high-visibility public spending.

Strategic Outlook: A Commitment to Permanence

Despite the looming 14-day deadline, the strategic sentiment among luxury leaders is one of profound commitments. Every member surveyed indicated a determination to maintain their regional presence regardless of the immediate negotiation outcomes. The industry's ultimate "trigger point" for suspension is no longer tied to minor escalations, but rather to a total and prolonged closure of the Strait of Hormuz. Until such an event occurs, the sector is opting for a tactical pause - focusing on private clienteling and land-based supply chains while awaiting a diplomatic breakthrough that could finally unlock the region's pent-up consumer demand.

Key UAE News of the Week

UAE Prepares New Tourism Support Measures

The UAE government is preparing a new support package to help its tourism sector cope with ongoing disruptions affecting travel, aviation, and hospitality. Authorities report that reduced travel flows and operational challenges have put significant pressure on hotels and related businesses. In response, immediate relief measures have already been introduced, including the deferral of key government fees for up to three months, helping companies maintain liquidity and manage short-term costs.

Hotels, hotel apartments, and holiday homes can postpone payments such as sales fees and tourism-related charges, providing crucial financial breathing space. Officials emphasize that the broader support package, currently in preparation, will further address sector-specific challenges.

The government is also working closely with industry stakeholders, holding regular consultations to adapt policies to real needs. Despite current difficulties, authorities remain confident in the UAE's economic resilience and its ability to recover quickly, highlighting strong infrastructure and proactive policy responses.

Source: Gulf News, https://gulfnews.com/business/tourism/iran-war-uae-readies-fresh-tourism-support-package-minister-says-1.500497599

UAE Companies Strengthen Support for Small Businesses

UAE companies are rolling out a wide range of initiatives to support small and medium-sized enterprises (SMEs) facing economic pressures such as rising operational costs, reduced tourism flows, and ongoing supply chain disruptions. These measures include rent relief, flexible payment plans, direct financial grants, and cash allowances to ease liquidity constraints. In addition, several firms are offering free marketing, consultancy, and digital support services to help SMEs sustain and adapt their operations. Large organizations are also enhancing business visibility by providing retail space, networking opportunities, and improved access to customers.

Meanwhile, the Dubai government has introduced a $272 million stimulus package aimed at boosting economic resilience and supporting business continuity. Overall, these coordinated efforts between the public and private sectors demonstrate a strong commitment to protecting SMEs, ensuring their stability, and fostering long-term economic growth in a challenging global environment.

Source: Gulf News, https://gulfnews.com/business/uae-companies-offer-rent-relief-cash-allowances-to-support-small-businesses-amid-war-1.500497757

UAE Job Demand Set to Surge with AI and Digital Growth

The UAE is expected to create around one million new jobs by 2030, driven by strong economic expansion, digital transformation, and rapid adoption of artificial intelligence. This represents a 12.1% increase in total employment, one of the highest growth rates globally. Key sectors such as manufacturing, education, retail, finance, and healthcare will generate significant employment opportunities, while energy and utilities are projected to grow the fastest.

At the same time, demand for technology-related roles is expected to rise sharply, increasing by more than 50% and requiring over 90,000 additional specialists. Rather than replacing workers, AI is expected to complement human roles, encouraging companies to invest heavily in reskilling, digital education, and workforce development. Overall, the UAE's strategy highlights a shift toward a tech-driven economy, where collaboration between humans and AI will be essential for long-term growth.

Source: Gulf News, https://gulfnews.com/business/uae-job-demand-to-rise-by-1-million-by-2030-amid-ai-push-1.500497737