



مصرف الإمارات العربية المتحدة المركزي  
CENTRAL BANK OF THE U.A.E.

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# Quarterly Economic Review

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## List of Abbreviations

<i>ADX</i>	<i>Abu Dhabi Securities Market General Index</i>
<i>AED</i>	<i>United Arab Emirates Dirham</i>
<i>AEs</i>	<i>Advanced Economies</i>
<i>CBUAE</i>	<i>Central Bank of the UAE</i>
<i>CDS</i>	<i>Credit Default Swaps</i>
<i>CPI</i>	<i>Consumer Price Index</i>
<i>DONIA</i>	<i>Dirham Overnight Index Average</i>
<i>DFM</i>	<i>Dubai Financial Market</i>
<i>EMDEs</i>	<i>Emerging Markets and Developing Economies</i>
<i>Fed</i>	<i>Federal Reserve</i>
<i>GCC</i>	<i>Gulf Cooperation Council</i>
<i>GDP</i>	<i>Gross Domestic Product</i>
<i>IMF</i>	<i>International Monetary Fund</i>
<i>M1</i>	<i>Monetary Aggregate 1</i>
<i>M2</i>	<i>Monetary Aggregate 2</i>
<i>M3</i>	<i>Monetary Aggregate 3</i>
<i>MGF</i>	<i>Minimum Guarantee Fund</i>
<i>NEER</i>	<i>Nominal Effective Exchange Rate</i>
<i>NPL</i>	<i>Non-Performing Loans</i>
<i>OMF</i>	<i>Overnight Murabaha Facility</i>
<i>OPEC</i>	<i>Organization of Petroleum Exporting Countries</i>
<i>PMI</i>	<i>Purchasing Managers' Index</i>
<i>pp</i>	<i>percentage point</i>
<i>REER</i>	<i>Real Effective Exchange Rate</i>
<i>UAE</i>	<i>United Arab Emirates</i>
<i>UK</i>	<i>United Kingdom</i>
<i>US</i>	<i>United States of America</i>
<i>USD</i>	<i>United States Dollar</i>
<i>WEO</i>	<i>World Economic Outlook</i>
<i>WPS</i>	<i>Wages Protection System</i>
<i>Y-o-Y</i>	<i>year-on-year</i>

## Executive Summary

In the first quarter of 2025, the UAE's real GDP expanded by 3.9% Y-o-Y, owing to significant non-hydrocarbon GDP growth by 5.3% Y-o-Y over the same quarter. The non-hydrocarbon sector growth is mainly driven by manufacturing, financial services, construction and real estate activities. For the UAE outlook, the CBUAE expects real GDP to expand by 4.9% in 2025, followed by a further increase to 5.3% in 2026. This performance is supported by the anticipated strong momentum in the non-hydrocarbon activities and a robust increase in the hydrocarbon sector following updated OPEC+ production plans. The non-hydrocarbon GDP is expected to grow by 4.5% in 2025 and 4.8% in 2026, while the hydrocarbon sector is projected to expand by 5.8% in 2025 and 6.5% in 2026. Inflation in the UAE stood at 0.6% in Q2 2025, largely due to lower energy costs. Accordingly, the CBUAE has revised its inflation forecast for 2025 downward to 1.5% from 1.9%, reflecting continued moderation in transportation costs and easing food and non-energy commodity prices. Inflation for 2026 is expected to slightly increase to 1.8%, mainly due to the base effect impact. Liquidity conditions remain stable, supported by healthy deposits and sustained credit growth. The banking system continues to be well-capitalised, with solid buffers and improved asset quality. Capital markets are buoyant and sovereign risk premia remain low, underscoring confidence in the UAE's economic outlook.

The global economy is projected to grow by 3.0% in 2025, according to the latest IMF forecast, marking a 0.2 percentage point upward revision from their April estimate. The IMF has also slightly revised up its forecast for US GDP growth by 0.1pp to 1.9% for 2025, and rising further, marginally, to 2.0% in 2026, citing lower effective tariff rates than announced in April and eased financial conditions as the main drivers of the revision. For other advanced economies, growth is projected to average 1.5% in 2025, with the euro area lagging at 1.0%. Meanwhile, growth in emerging markets and developing economies is expected to slow to 4.1% in 2025, and further to 4.0% in 2026, despite upward revisions of 0.4pp and 0.1pp, respectively. In contrast, the GCC region's economic growth is forecast to significantly accelerate from 1.8% in 2024 to 3.5% in 2025, primarily driven by robust growth in the UAE and Saudi Arabia.

Global inflation is on a steady downward trend, reflecting the combined impact of moderating energy prices, easing supply chain pressures, and the lagged impact of earlier policy tightening. According to the IMF, global inflation is projected to fall from 5.7% in 2024 to 4.2% in 2025 and further to 3.6% in 2026. The disinflationary trend is largely driven by lower energy and tradable goods prices, as well as the normalisation of supply chains. However, the pace of disinflation is being tempered by persistent price pressures in housing and services, alongside elevated geopolitical uncertainty that continues to affect expectations and risk premiums. These dynamics have led several central banks to adopt a more cautious approach to policy easing. For instance, the Fed maintained its target range for the Federal Funds rate at 4.25%-4.50% since its rate cut in December of last year.

UAE real estate market maintained its strong momentum in H1 2025, with residential sales transactions increasing in Abu Dhabi and Dubai on the back of a growing population and sustained interest from foreign individual and institutional investors. Residential sales prices are on a growing trajectory, especially in the off-plan market, reflecting continued investor appetite. However, growth in the villa segment moderated in the last two quarters. The tourism sector continued its robust performance in the first half of 2025, as Dubai welcomed 9.9 million international overnight visitors, a 6.1% increase compared to the same period in 2024. This growth is backed by the strength of the aviation transportation sector, with Abu Dhabi and Dubai international airports, respectively, handling over 15.8 million and 46 million passengers in the first half of 2025.

In line with the Fed's monetary policy, the CBUAE kept its key policy rate (Base Rate) at 4.4% in July. The Dirham Overnight Interest Average (DONIA) rate averaged 9 basis points below the Base Rate, down from 15 bps in the previous quarter. This reduction in the spread is attributed to the introduction of the CBUAE's Overnight Murabaha Facility. The CBUAE's balance sheet continued to expand, recording a net increase of AED 43.6 billion in Q2 2025. This was mainly driven by net foreign assets.

The UAE banking sector demonstrated a strong performance, with deposits rising by 13.1% Y-o-Y, supporting favourable funding conditions and robust lending activity. The loan portfolio of the UAE banking system grew by 11.1% Y-o-Y, driven by favourable economic conditions. Banks maintained sound capital buffers, with a capital adequacy ratio of 17.3% in Q2 2025, and improved asset quality, as the net NPL ratio declined to 1.7%. The insurance sector also demonstrated robust growth, with gross written premiums rising by 14.5% Y-o-Y in H1 2025. The sector remained well-capitalised, as the ratio of own funds to Minimum Capital Requirement rose to 423% in Q2 2025, up from 376% in Q2 2024.

Capital markets continued on a solid growth path in Q2 2025, with Dubai Financial Market's share price index rising by 35.6% Y-o-Y, and the Abu Dhabi Securities Market General Index increasing by 8.1% Y-o-Y. Credit default swap spreads for Abu Dhabi and Dubai remained low, underscoring strong investor confidence.

## Chapter 1

# International Economic Developments and UAE Foreign Trade





# I.1. Global Economic Outlook

Global economic growth is projected to decelerate to 3.0% in 2025 before rebounding to 3.1% in 2026

Growth in advanced economies is expected to slow to 1.5% in 2025 and 1.6% in 2026, while EMDEs' growth is projected at 4.1% and 4.0% in 2025 and 2026, respectively

Growth in the GCC is expected to reach 3.6% in 2025, accelerating further to 4.3% in 2026

## Global Economy

The global economy is projected to grow by 3.0% in 2025, according to the IMF in its July 2025 World Economic Outlook (WEO) Update. This is a 0.2 percentage point (pp) upward revision from the April forecasts, primarily driven by a lower effective tariff rate and more favourable global financial conditions. For 2026, global growth is now expected to reach 3.1%, which is 0.1pp higher than the April forecast. Despite these upward revisions, the projected growth rates remain below the pre-pandemic historical average, and downside risks surround the outlook. A potential rebound in effective tariffs, unresolved trade agreements, geopolitical tensions, and renewed supply chain disruptions could weaken global growth and increase market volatility. Nevertheless, global growth could strengthen if trade negotiations result in a more predictable framework and reduced tariffs.

## Advanced Economies

Following an expansion of 1.8% in 2024, growth in advanced economies is expected to moderate to 1.5% in 2025 and 1.6% in 2026. Both figures represent an upward revision of 0.1pp compared with the April forecasts. In almost all advanced economies, growth projections have been revised up.

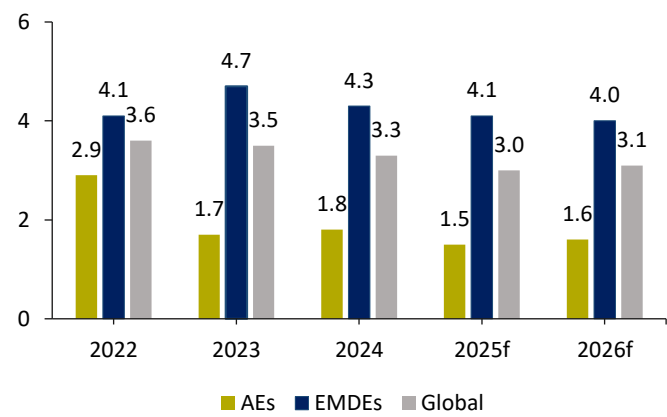
The United States (US) growth forecast for 2025 has been marginally revised up by 0.1pp compared to the April forecast, standing at 1.9%. Although the forecast has been revised upward due to lower effective tariff rates than those announced in April and eased financial conditions, growth remains below the 2024 rate. GDP growth is projected to expand by 2.0% in 2026, which is 0.3pp higher than the earlier projection, owing to the expected near-term stimulus from the One Big Beautiful Bill Act.

The euro area's growth is projected to accelerate to 1.0% in 2025, 0.2pp higher than earlier projections. The upward revision stems primarily from a significant surge in Irish pharmaceutical exports to the US, driven by front-loading shipments and commissioning of new production facilities. The growth forecast for 2026 remained unchanged at 1.2%.

For the United Kingdom (UK), growth has been revised up by 0.1pp to 1.2% in 2025, supported by resilient consumer spending and a modest recovery in business investment. Growth is expected to rise further, albeit modestly, to 1.4% in 2026 as monetary policy is gradually eased.

Having registered a markedly low growth rate of 0.1% in 2024, Japan's economy is expected to grow by 0.7% in 2025, reflecting a 0.1pp upward revision from the April forecasts. The adjustment reflects resilient wage growth, which is supporting both consumption and investment. The growth is projected to marginally decline to 0.5% in 2026.

Figure 1.1 Global Real GDP Growth (%)



**Source:** International Monetary Fund, World Economic Outlook Update – July 2025.  
**Notes:** f=forecast, AEs= Advanced Economies, EMDEs= Emerging Markets and Developing Economies.

Table 1.1 Real GDP Growth in Advanced Economies (%)

	2022	2023	2024	2025f	2026f
Global	3.6	3.5	3.3	3.0	3.1
AEs	2.9	1.7	1.8	1.5	1.6
US	2.5	2.9	2.8	1.9	2.0
Euro area	3.5	0.4	0.9	1.0	1.2
UK	4.8	0.4	1.1	1.2	1.4
Japan	0.9	1.5	0.1	0.7	0.5

**Source:** International Monetary Fund, World Economic Outlook Update – July 2025.  
**Notes:** f=forecast, AEs=Advanced Economies.

## Emerging Markets and the GCC Economies

According to the IMF's latest WEO, economic growth in EMDEs is projected to slightly decelerate to 4.1% in 2025, and then marginally to 4.0% in 2026, from 4.3% in 2024. These figures reflect upward revisions of 0.4 and 0.1pp, respectively, compared to the April forecasts. While EMDEs are projected to outperform the global average, growth outcomes vary significantly across regions.

Growth in emerging and developing Asia is forecast to be 5.1% in 2025, reflecting an upward revision of 0.6pp from the previous forecast. Growth is expected to slow to 4.7% in 2026, despite an upward revision of 0.1pp. China's growth projection for 2025 has been raised by 0.8pp to 4.8%, driven by stronger-than-expected economic activity in the first half of 2025 and a notable reduction in tariffs between the US and China. For 2026, the growth forecast has also been revised upward by 0.2pp to 4.2%, owing again to lower effective tariff rates. In India, growth is projected to be 6.4% in both 2025 and 2026, with both figures revised slightly upward. The improvement is attributed to a more favourable external environment compared to the assumptions made in the April reference forecast.

In Latin America and the Caribbean, growth is expected to decrease from 2.4% in 2024 to 2.2% in 2025, representing an upward revision of 0.2pp compared to the April forecasts. Growth is projected to rise slightly to 2.4% in 2026, unchanged from the April forecast, as domestic demand gradually strengthens and external conditions stabilise.

Growth in emerging and developing Europe is expected to decline significantly from 3.5% in 2024 to 1.8% in 2025, before picking up to 2.2% in 2026. The rebound is expected to be supported by improving household incomes, stronger investment as inflation moderates, and a partial recovery in trade flows. These forecasts reflect a downward revision of 0.3pp for 2025 and an upward revision of 0.1pp for 2026 relative to the April projections.

The GCC region's economic growth is forecast to accelerate markedly, rising from 2.2% in 2024 to 3.6% in 2025, primarily supported by higher growth in the UAE and Saudi Arabia. At the same time, non-hydrocarbon sectors, including financial services, trade and tourism, are expected to remain resilient, bolstered by ongoing economic diversification plans. Infrastructure development continues to be a key driver of this transition, contributing significantly to diversification efforts. In 2026, growth is expected to accelerate further to 4.3%, driven by a rebound in oil production and sustained strength in the non-hydrocarbon sectors.

**Table 1.2 Real GDP Growth in Selected Emerging Markets (%)**

	2022	2023	2024	2025f	2026f
EMDEs	4.1	4.7	4.3	4.1	4.0
Brazil	3.0	3.2	3.4	2.3	2.1
China	3.1	5.4	5.0	4.8	4.2
India	7.6	9.2	6.5	6.4	6.4

**Source:** International Monetary Fund, World Economic Outlook Update - July 2025.

**Notes:** f=forecast, EMDEs=Emerging Markets and Developing Economies.

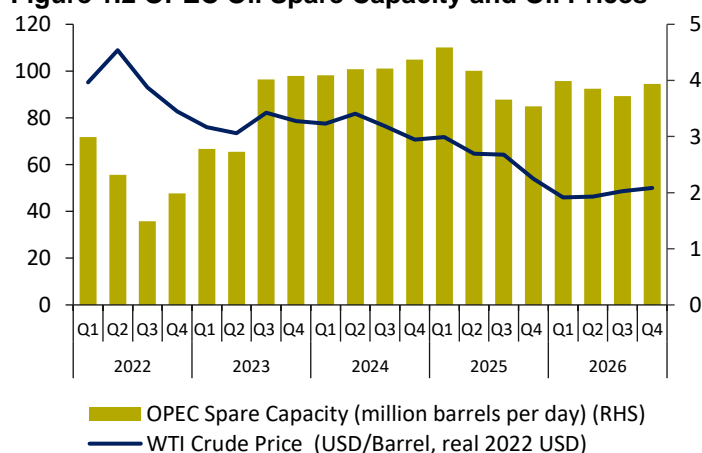
**Table 1.3 Real GDP Growth in the GCC Economies (%)**

	2022	2023	2024	2025f	2026f
GCC	7.1	1.3	2.2	3.6	4.3
UAE	7.5	4.3	4.0	4.9	5.3
Saudi Arabia	7.5	0.5	2.0	3.6	3.9
Qatar	4.2	1.4	2.4	2.4	5.6
Kuwait	5.9	-3.6	-2.8	1.9	3.1
Oman	8.0	1.2	1.7	2.3	3.6
Bahrain	6.2	3.9	2.8	2.8	3.0

**Sources:** CBUAE; International Monetary Fund, World Economic Outlook Update - July 2025. For the UAE, the Federal Competitiveness and Statistics Centre (2022-24) and the CBUAE (2025 and 2026).

**Notes:** f=forecast. The growth rate for the GCC is calculated as a weighted average of the growth rates of its member countries

**Figure 1.2 OPEC Oil Spare Capacity and Oil Prices**



**Source:** US Energy Information Administration.

## 1.2. Inflation and Monetary Policy Responses

Global inflation is projected to decline from 5.7% in 2024 to 4.2% in 2025 and to 3.6% in 2026

Inflation trends vary across countries, with advanced economies showing mixed dynamics

Several central banks continued their monetary easing cycle in response to declining inflation

### Global

According to the IMF's July 2025 WEO, global inflation is projected to fall from 5.7% in 2024 to 4.2% in 2025 and further to 3.6% in 2026. The tariffs, functioning as a supply shock, have begun to feed into US consumer prices and are pushing inflation higher in the latter half of 2025. By contrast, in other regions, they function as a negative demand shock, helping to ease inflationary pressures. This divergence underscores the uneven global impact of trade policies, complicating the task of central banks as they calibrate monetary policy.

### Advanced Economies

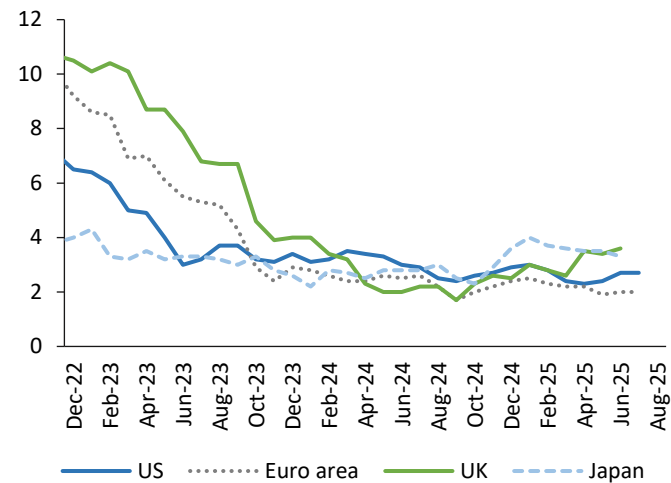
In the US, headline CPI inflation stood at 2.7% Y-o-Y in July 2025, with notable contributions from shelter, while food prices remained broadly flat. The impact of tariffs has so far been modest. The Fed maintained its target range for the federal funds rate at 4.25%-4.50% in its August meeting, citing a still-low unemployment rate and continued resilience in labour market conditions.

Euro area inflation held steady at 2.0% Y-o-Y in July 2025, though it came in slightly above expectations. Services inflation, a key indicator, eased to 3.1% Y-o-Y, down from 3.3% in June. At its July meeting, the European Central Bank left interest rates unchanged for the first time this year, keeping the policy rate at 2.0% following a 25-bps cut in June.

UK inflation rose to 3.6% Y-o-Y in June, driven by labour cost pressures stemming from April's increase in the minimum wage and higher business tax rates. Services inflation also remained elevated at 4.7% Y-o-Y, above market expectations. However, the Bank of England voted by a narrow margin to cut interest rates from 4.25% to 4.00% in August, as the Central Bank resumed what it described as a “gradual and careful” approach to monetary easing.

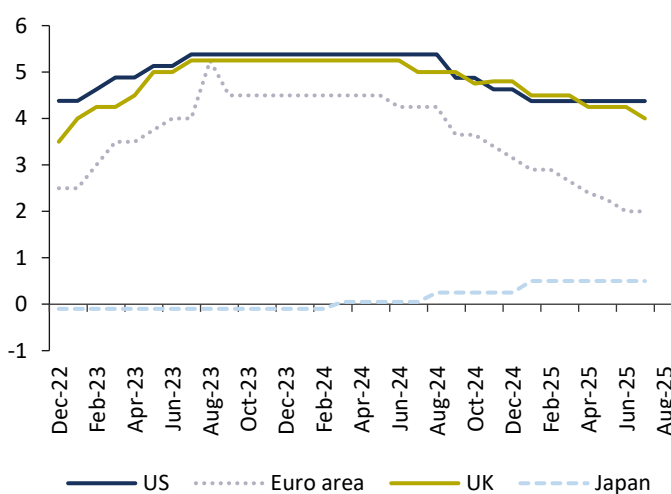
Japan's inflation fell to 3.3% Y-o-Y in June 2025, down from 3.5% in May, though it still marked the 39<sup>th</sup> consecutive month above the Bank of Japan's 2% target. Rice inflation surged by 100.2% Y-o-Y in June, driven by extreme weather that damaged harvests, adding 0.61 pp to the 3.3% headline CPI increase. At its July meeting, the Bank of Japan kept its policy rate unchanged at 0.5%, viewing the surge in inflation above its target as temporary and largely attributable to rice prices. However, it raised its inflation forecasts and adopted a less pessimistic outlook on the economy, sustaining market expectations of a possible rate hike later this year.

Figure 1.3 Headline Inflation in Selected Advanced Economies (Y-o-Y, %)



Source: Bloomberg.

Figure 1.4 Policy Rates in Selected Advanced Economies (%)



Source: Bloomberg.



## Emerging and GCC Economies

In July, China's inflation stayed flat on a Y-o-Y basis, marking a slight dip from the 0.1% increase seen in June. Meanwhile, producer prices at the factory gate continued their downward trend, having fallen for over two years straight, with a 3.6% Y-o-Y drop in July. Food prices were the primary downward force, plunging 1.6% Y-o-Y, a steeper decline than the previous month's 0.3% drop. These ongoing deflationary pressures have led Chinese officials to tackle excess production capacity in major sectors. In response, the People's Bank of China reduced its one-year loan prime rate from 3.1% to 3.0% in May and maintained it at this level in July. Given the recent slump in credit growth, highlighted by an unprecedented contraction in outstanding loans for the first time in two decades, the central bank could ramp up monetary easing measures soon.

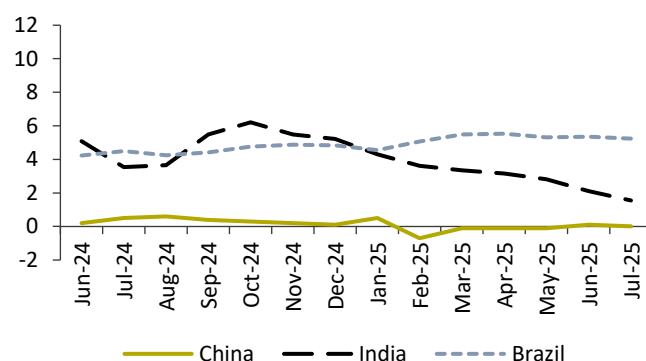
India's consumer inflation eased further in July, marking the ninth consecutive monthly decline to 1.55% Y-o-Y. The slowdown was largely driven by softer food prices and subdued housing inflation. In June, the Reserve Bank of India (RBI) implemented an outsized 50 basis-point rate cut, lowering the policy rate to 5.50%. However, inflationary risks persist, with CPI inflation projected to reach 4.4% in Q4 of the financial year 2025-26 due to base effects and policy-driven demand. In this context, the RBI held rates steady in August, citing rising tariff risks, which could add cost-push pressures, and a slight uptick in core inflation.

Brazil's inflation eased to 5.2% Y-o-Y in July from 5.4% in June, though it remained above the central bank's 4.5% target ceiling for the tenth consecutive month. The moderation was largely driven by softer price gains in transport, clothing, education, and communication. At its July meeting, the Central Bank of Brazil kept its policy rate unchanged at 15.0%. Persistently above-target headline and core inflation, along with unanchored expectations, continue to constrain the scope for monetary easing despite mounting growth risks from US tariffs.

Inflation across the GCC remained largely contained in the first half of 2025, with country-specific drivers shaping price dynamics. Inflation in Qatar was 0.1% Y-o-Y in June 2025, driven by a strong rebound in prices for food. Bahrain's consumer prices fell by 0.4% Y-o-Y in June 2025, marking the third consecutive month of deflation. This is the softest decline in the sequence, primarily driven by lower prices for food and non-alcoholic beverages. Kuwait's inflation rose to 2.3% Y-o-Y in June, reflecting higher prices in food, health, clothing, and education. Saudi Arabia's inflation slowed to 2.1% Y-o-Y in July, even as food, miscellaneous goods, and services continued to exert upward pressure. Oman posted the region's lowest rate at 0.8% Y-o-Y in July.

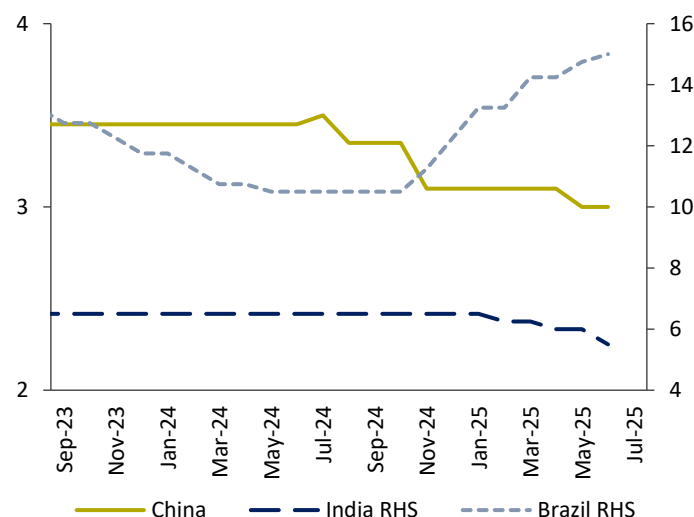
In August 2025, GCC central banks kept key policy rates unchanged in line with their monetary regimes, following earlier adjustments. The Saudi Central Bank maintained its repo rate at 5.0%, unchanged since its December 2024 cut. Qatar held its lending rate steady at 5.1%, and Kuwait kept its discount rate at 4.0%, following a reduction in September 2024. Oman and Bahrain also left their rates unchanged at 5.0% and 5.25%, respectively.

**Figure 1.5 Headline Inflation in Selected Emerging Economies (Y-o-Y, %)**



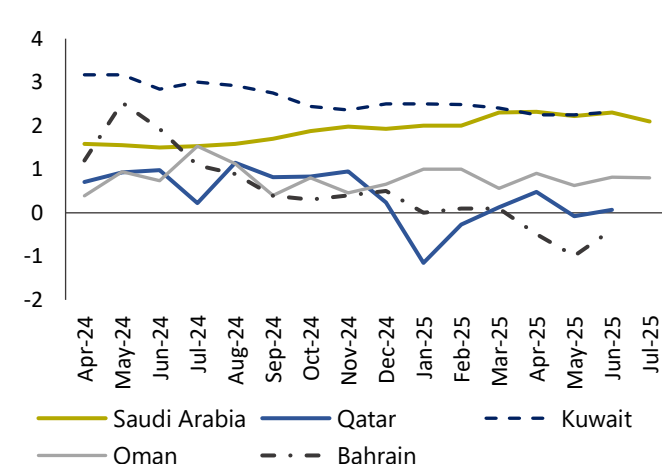
Sources: Bloomberg.

**Figure 1.6 Policy Rates in Selected Emerging Economies (%)**



Source: Bloomberg.

**Figure 1.7 Consumer Price Inflation in GCC Countries (Y-o-Y, %)**



Sources: Bloomberg, Federal Competitiveness and Statistics Centre.

## I.3. Global Markets' Developments

Financial conditions improved, supported by expectations of rate cuts, though risks linger

Commodity prices varied amid shifting demand, easing geopolitics, and policy uncertainty

Growth in non-oil foreign trade of goods continued to increase

### Global Financial Conditions

Global financial conditions have continued to ease markedly in recent months, supported by a robust rebound in equity and credit markets, narrower credit spreads, and mounting expectations of monetary easing. The narrowing of US corporate credit spreads to their lowest levels since 1998, along with record highs in equity indices, has reinforced this accommodative shift. These improvements have been further supported by expectations of modest policy easing from other major central banks, strengthening confidence in more supportive financial conditions over the medium term. Nevertheless, investor caution persists due to recent developments, including elevated asset valuations, shifting trade dynamics, and geopolitical tensions. In addition, high debt levels in some economies and growing trade imbalances have raised concerns about how long the recent improvement in financial conditions can last, highlighting the need for broader policy adjustments to sustain the accommodative environment.

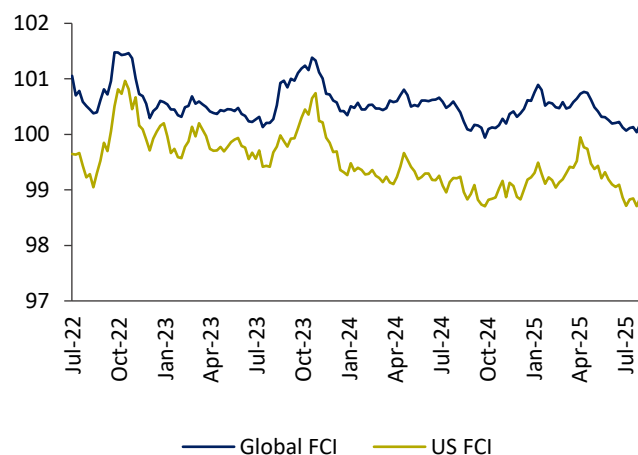
In the US, financial conditions have continued to ease but remain volatile, reflecting trade uncertainty, moderating inflation and fiscal concerns. Treasury yields fluctuated amid alternating expectations for policy easing, while their traditional safe-haven status showed signs of adjustment. More recently, conditions have returned to broadly accommodative levels, supported by a rally in equity markets, a weaker USD, and compressed credit spreads. While the near-term outlook appears more stable, risks remain tilted to the downside – particularly if inflation persists, global tensions escalate, or market repricing accelerates in response to softer growth signals.

### Commodities

Brent crude prices remained broadly stable, averaging USD 71.5 in June and USD 71.0 in July. Prices were supported by geopolitical tensions and seasonal fuel demand, but upward momentum was capped by increased OPEC+ output and lingering trade-related uncertainty. In recent months, US Henry Hub natural gas prices have softened, averaging USD 3.2 per MMBtu in July – well below the higher levels seen in March (USD 4.1) but slightly above May's reading of USD 3.1 – reflecting a moderation in market momentum.

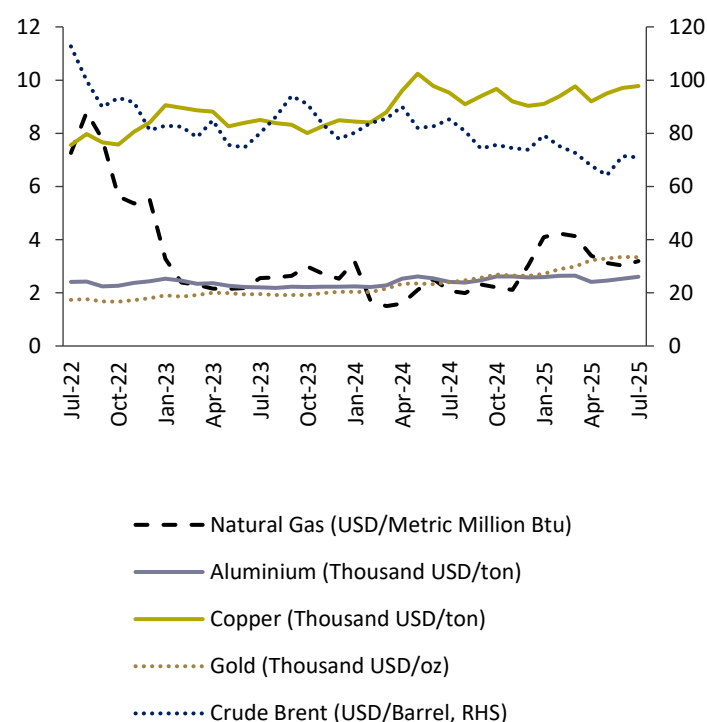
Gold averaged USD 3,340 per ounce in July 2025, easing moderately from earlier highs as safe-haven demand softened. The decline was driven by reduced financial market volatility, cautious optimism on trade developments, and some profit-taking. Nonetheless, prices remained elevated, supported by lingering geopolitical risks and central bank purchases, with gold still up 39.5% Y-o-Y. Meanwhile, copper and aluminium prices rose by 2.7% and 8.4% Y-o-Y, respectively, reflecting strong demand and speculative stockpiling ahead of the US tariff implementation.

Figure 1.8 Financial Conditions Indices



Source: Goldman Sachs.

Figure 1.9 Commodity Prices



Source: Bloomberg.

In July 2025, the FAO Food Price Index climbed by 7.6% Y-o-Y, reaching its highest level since early 2023, as elevated meat and vegetable oil prices offset continued weakness in the prices for cereals, dairy, and sugar. Over Q2 2025, global food prices extended their upward momentum, driven by supply limitations and strong import demand, while weather disruptions and trade restrictions remained key upside risks.

## UAE's International Trade

UAE's non-oil foreign trade of goods rose by 17% Y-o-Y in the first quarter of 2025, amounting to AED 781 billion. Non-oil exports increased by 41.3% compared to the same period in 2024, reaching AED 172.7 billion. This increase was mainly driven by a surge in gold and jewellery exports. Switzerland emerged as the UAE's top non-oil export partner, accounting for 18.5% of total non-oil exports, followed by India (16.4%) and Türkiye (8.1%). Gold dominated the list of exported non-oil goods, making up 57.9% of total non-oil exports, followed by jewellery (5.3%) and tobacco products (3.1%).

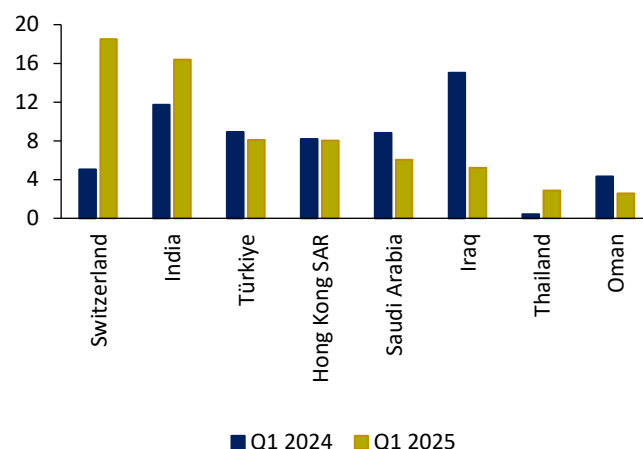
Re-exports increased by 1.6%, totalling AED 161.2 billion in Q1 2025. Saudi Arabia was the leading re-export destination, with a share of 13.7%, followed by Iraq (11.7%) and India (6.6%). Telecommunications equipment accounted for the largest share of re-exports (18.7%), with diamonds (9.0%) and motor vehicles (7.3%) also among the top categories.

Imports grew by 15.6% in the first three months of 2025, reaching AED 447.8 billion. China remained the UAE's largest import partner, accounting for 17.9% of total imports, followed by India (7.4%) and the US (5.5%). Gold was the most imported commodity, with a share of 26.8% total imports, while telecommunications equipment (9.2%) and motor vehicles (6.3%) ranked second and third, respectively.

## Exchange Rate

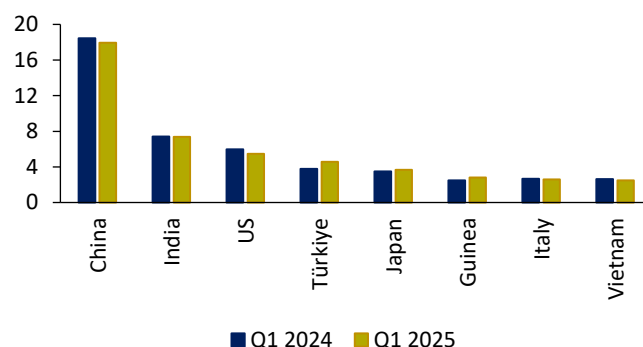
The nominal effective exchange rate (NEER), which measures the national currency against a basket of the UAE's trading partners' currencies, depreciated by 2.1% Y-o-Y in June 2025 following the decline of the US Dollar Index (DXY). Similarly, the real effective exchange rate (REER), which accounts for inflation differentials between the UAE and its trading partners, fell by 3.1% compared to a year ago, reflecting favourable domestic price developments.

**Figure 1.10. UAE Non-Oil Exports to Major Trading Partners (% of Non-Oil Exports)**



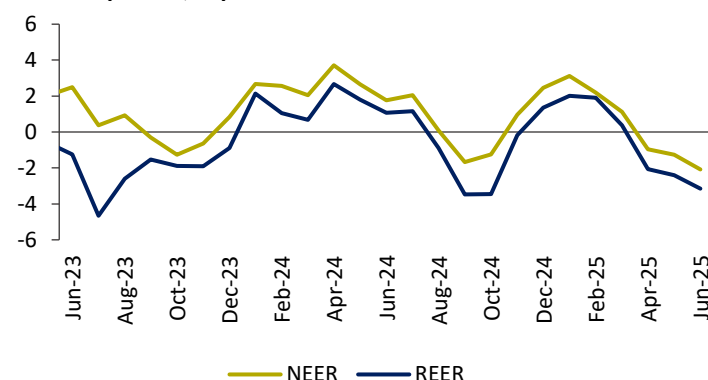
Source: Federal Competitiveness and Statistics Centre.

**Figure 1.11. UAE Imports from Major Trading Partners (% of Imports)**



Source: Federal Competitiveness and Statistics Centre.

**Figure 1.12. Nominal and Real Effective Exchange Rates\* (Y-o-Y, %)**



Source: CBUAE.

\* An increase means appreciation, and a decrease means depreciation

## Chapter 2

# Domestic Economic Developments





## II.1. Economic Growth

Real GDP growth is projected to rebound from 4.0% in 2024 to 4.9% and 5.3% in 2025 and 2026, respectively	Hydrocarbon GDP growth is forecasted to accelerate in 2025 and 2026 following revised OPEC+ quotas	Non-hydrocarbon GDP growth is expected to remain robust during 2025 and 2026
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### Real GDP Outlook

In the first quarter of 2025, the UAE economy grew by 3.9% Y-o-Y, driven by the robust performance of non-hydrocarbon GDP.

The real GDP growth forecast is revised up to 4.9% for 2025, compared with an estimate of 4.4% in the June 2025 QER. This upward revision of 0.5pp primarily reflects an accelerated adjustment path in oil production by the August OPEC+ quotas revision, and a solid momentum in the non-hydrocarbon sector. The upward revision of non-hydrocarbon GDP growth for 2026 reflects potential indirect effects from robust hydrocarbon growth through higher investment, government spending and confidence in the economy.

### Hydrocarbon GDP

During the January-July period of 2025, oil production averaged 2.96 million barrels per day, representing a 1.3% increase compared to the same period last year. This reflects a gradual adjustment to upward shifts of the UAE quota. Gas production in the second quarter of 2025 declined by 2.6% Y-o-Y compared to an increase of 2.3% Y-o-Y in Q1 2025.

Oil production is expected to continue increasing throughout 2025 and 2026, in line with OPEC+ announced quotas, as well as ongoing and planned upstream and midstream activities in the oil and gas sector. Hence, the hydrocarbon sector is expected to grow by 5.8% in 2025, followed by a further expansion of 6.5% in 2026. This real adjustment in hydrocarbon output is expected to largely offset the negative impact of the decline in oil prices on government revenues, creating a positive ripple effect on non-hydrocarbon sectors.

### Non-Hydrocarbon GDP

Non-hydrocarbon GDP expanded by 5.3% Y-o-Y in Q1 2025, accounting for a 77.3% share of total GDP, mainly driven by manufacturing, financial services, construction and real estate activities.

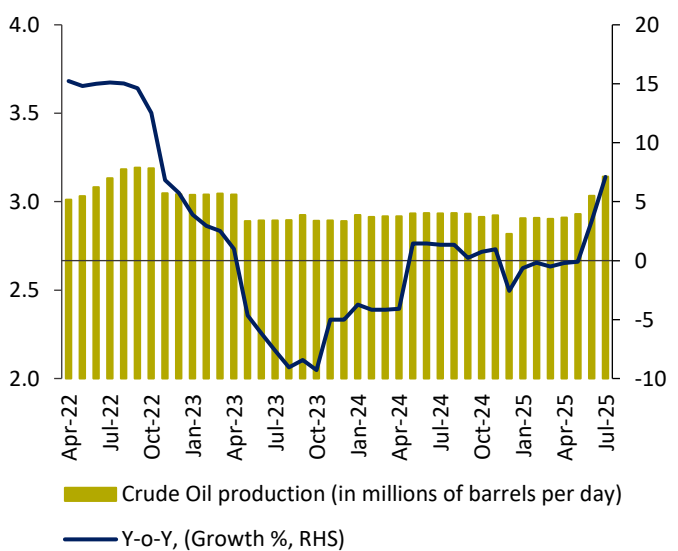
The non-hydrocarbon GDP is expected to grow by 4.5% in 2025, and the growth rate is projected to further expand to 4.8% in 2026. Despite some softening signs being noticed in the UAE's PMI Index in recent months, which may signal a marginal deceleration in the overall business momentum, growth is expected to be sustained.

Table 2.1 Real GDP Growth in the UAE (%)

	2022	2023	2024	2025f	2026f
Overall GDP	7.5	4.3	4.0	4.9	5.3
Hydrocarbon GDP	8.9	-3.0	1.0	5.8	6.5
Non-hydrocarbon GDP	7.0	7.0	5.0	4.5	4.8

Sources: Federal Competitiveness and Statistics Centre (2022-2024), CBUAE (2025 and 2026).  
Note: f=forecast.

Figure 2.1 UAE Crude Oil Production



Source: Organization of Petroleum Exporting Countries.



## Purchasing Managers' Index (PMI)

Economic activity in the UAE's non-oil private sector continued to expand in July 2025, demonstrating resilience and adaptability amid softer global demand. The UAE Purchasing Managers' Index (PMI) registered 52.9, slightly lower than 53.5 in June, yet still well above the neutral 50 threshold, indicating sustained growth across key sectors. While the pace of new orders moderated, businesses maintained solid output by fulfilling backlogs and remained optimistic about future activity. In Dubai, business conditions improved notably, with the PMI rising to 53.5 in July from 51.8 in June. This pickup was driven by stronger client demand and increased activity in core sectors.

## Employment and Wages

In June 2025, the average number of employees covered by the CBUAE Wages Protection System (WPS)<sup>1</sup> increased by 10.6% Y-o-Y, while the average wage growth was marginal, at 0.2% Y-o-Y<sup>2</sup>. Overall, employment developments are supportive of robust consumption growth, while wage-driven inflationary pressures appear contained.

## Government Revenue and Expenditure

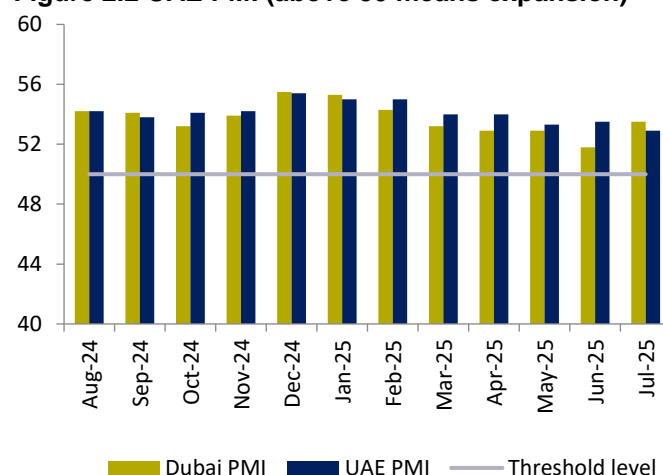
The UAE continues to maintain a strong and sustainable fiscal position, underpinned by low government debt levels and consistently robust fiscal surpluses in recent years. In Q1 2025, the fiscal surplus narrowed to AED 13.1 billion (2.5% of GDP), compared to AED 23.5 billion (5.0% of GDP) in the same period of 2024.

Total general government revenue amounted to AED 120.8 billion (23.1% of GDP), broadly unchanged from AED 120.6 billion (25.4% of GDP) in Q1 2024. A 10.6% Y-o-Y decline in tax revenues was partially offset by a 26.8% Y-o-Y increase in other revenues.

Government expenditure grew by 10.9% Y-o-Y to AED 107.7 billion (20.6% of GDP), up from AED 97.1 billion (20.5% of GDP) a year earlier. This increase was driven by higher spending on employee compensation (+2.3%), goods and services (+14.0%), social benefits (+3.4%), and other expenses (+280.9%). These were partly offset by sharp declines in subsidies (−65.7%) and grants (−15.4%). Capital expenditure fell by 65.0% Y-o-Y to AED 2 billion.

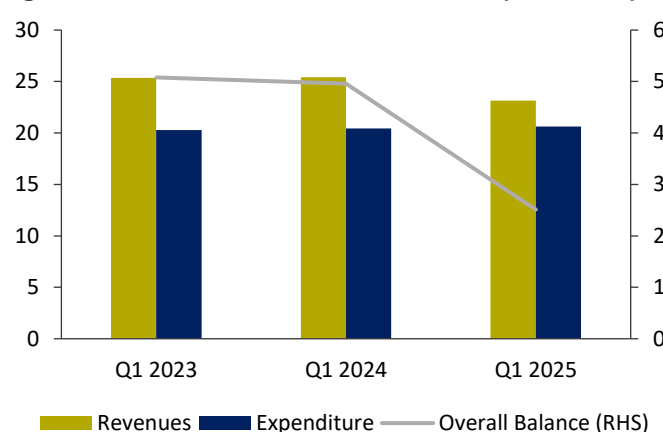
Over the medium term, the UAE's fiscal outlook remains favourable. The fiscal breakeven oil price is expected to remain relatively low, while hydrocarbon revenues are set to rise following an upward revision of the UAE's OPEC+ oil production quota. These factors are likely to further strengthen the country's fiscal position in the years ahead.

**Figure 2.2 UAE PMI (above 50 means expansion)**



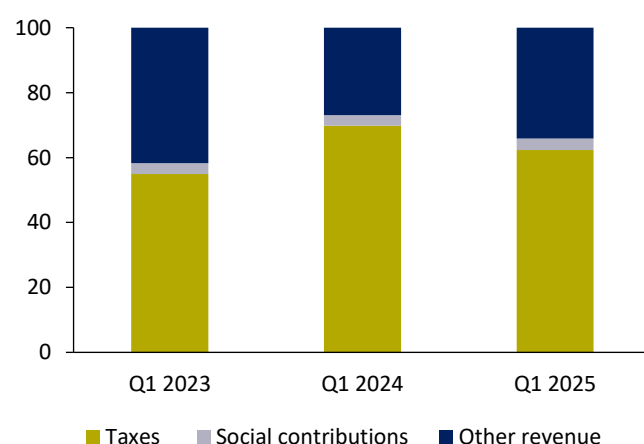
Source: S&P Global.

**Figure 2.3 Consolidated Fiscal Balance (% of GDP)**



Sources: UAE Ministry of Finance; Federal Competitiveness and Statistics Centre; CBUAE.

**Figure 2.4 UAE Fiscal Revenue Structure as a Share of Total Revenue (%)**



Sources: UAE Ministry of Finance and CBUAE.

<sup>1</sup> Data as of 25 August 2025.

<sup>2</sup> Employment and average wage growth rates were calculated using 3-month moving average. Quarterly Economic Review, September 2025

## II.2. Sectoral Analysis

The UAE residential real estate market in H1 2025 remained robust, with double-digit sales growth.

Aviation and tourism sectors remain key engines of UAE diversification, with record passenger volumes in H1 2025

Dubai welcomed 9.9 million overnight visitors in January-June 2025, a 6.1% Y-o-Y increase

### Residential Real Estate

The UAE real estate market sustained strong momentum during the first half of 2025, with residential sales transactions rising by 23% Y-o-Y in Abu Dhabi and 18% Y-o-Y in Dubai.

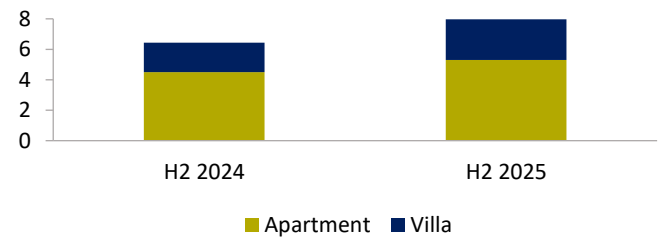
This growth in residential sales was primarily supported by robust demand, driven by the UAE’s expanding population, particularly in Abu Dhabi, and heightened interest from both foreign individual and institutional investors. According to the Abu Dhabi Real Estate Centre (ADREC), foreign residents and non-residents accounted for approximately 80% of residential sales growth between 2019 and 2024.

In Abu Dhabi, the number of villa sales transactions increased by 40% Y-o-Y, largely driven by the off-plan segment, while apartment sales recorded a solid 17% Y-o-Y increase in H1 2025. In Dubai, apartment transactions rose by 18% Y-o-Y, with villa sales also posting an increase at 13% Y-o-Y.

Residential sales prices in Abu Dhabi continued their upward trajectory over recent quarters. Based on the residential sales price index, apartment prices in Abu Dhabi rose by an estimated 14% Y-o-Y in Q2 2025, while villa prices grew by 11% Y-o-Y.

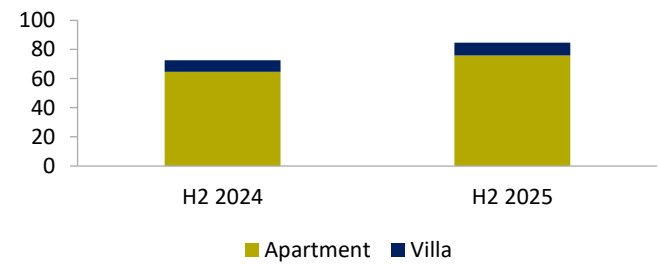
In Dubai, growth in median price per square meter (sqm) for apartments remained stable at around 4% Y-o-Y over the past four quarters ending Q2 2025, and villa price growth moderated over the last two quarters, settling at 10% Y-o-Y in Q2 2025.

Figure 2.5 Number of Residential Sales Transactions in Abu Dhabi (in thousands)



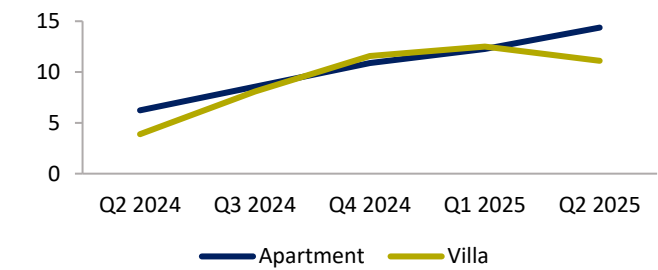
Source: ADREC

Figure 2.6 Number of Residential Sales Transactions in Dubai (in thousands)



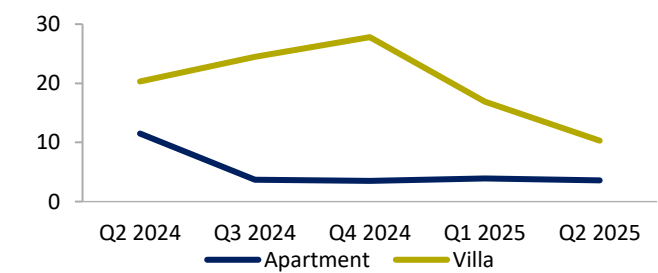
Source: DLD

Figure 2.7 Residential Sales Prices Change in Abu Dhabi (Y-o-Y, %)



Source: ADREC (based on the Residential Sales Index)

Figure 2.8 Residential Sales Prices Change in Dubai (Y-o-Y, %)



Source: CBUAE estimates (based on DLD data)

Tourism and Hospitality

Dubai’s tourism sector continued its robust performance in the first half of 2025, welcoming 9.9 million international overnight visitors, a 6.1% increase compared to 9.3 million during the same period in 2024. This steady growth underscores Dubai’s continuing appeal as a leading global destination.

The hospitality sector also remained strong, with hotel occupancy rate reaching 81% in June 2025, up from 79% a year earlier. This uptick, alongside consistent revenue performance, points to sustained demand across key market segments. The results reflect the effectiveness of ongoing initiatives aimed at enhancing visitor experiences and strengthening Dubai’s position in global travel and tourism, reinforcing its contribution to non-oil economic growth.

Transportation

Abu Dhabi’s aviation sector saw notable growth in the first half of 2025, with its airports handling over 15.8 million passengers, an increase of 13.1% compared to the same period in 2024. The rise was largely driven by activity at Zayed International Airport (AUH), which accounted for 15.5 million passengers by the end of June, up 13.2% Y-o-Y. Total aircraft movements across all five airports reached 133,533 during H1 2025, marking a 9.2% increase. AUH alone recorded 93,858 flights, reflecting an 11.4% rise from the 84,286 flights recorded in the first half of last year.

Dubai International Airport (DXB) continued to break records in the first half of 2025, with passenger numbers reaching 46 million, the highest ever for a six-month period at the airport. Despite airspace disruptions in May and June, traffic still rose by 2.3% Y-o-Y, reflecting the airport’s strong operational capacity and Dubai’s continued global appeal as a travel and business destination. The second quarter alone saw 22.5 million passengers pass through DXB, up 3.1% from the same period last year. April was particularly notable, setting a new monthly high of 8 million travellers.

The sustained momentum in the UAE’s aviation and tourism sectors continues to play a key role in advancing the country’s economic diversification efforts. Recent growth in passenger traffic and visitor numbers reflects the effectiveness of national strategies that focus on expanding air connectivity, enhancing hospitality offerings, and positioning the UAE as a leading destination for international travel, business, and investment.

Figure 2.9 Accommodation Supply and Demand in Dubai (3-Month Cumulative)

Categories	Establishment Nos.	Total Available Rooms [Supply]	Average Occupancy
2024 June	823 Establishments	150,879	79%
	0%	1%	
2025 June	822 Establishments	152,483	81%

Source: Dubai Department of Economy and Tourism.

## II.3. Inflation

The CBUAE revised down its forecast for the UAE inflation for both 2025 and 2026 to 1.5% and 1.8% respectively

Eased food and transportation inflation offset the sustained increase in housing inflation

In Q2 2025, UAE headline inflation stood at 0.6% Y-o-Y, down from 1.4% Y-o-Y in Q1 2025

### Inflation Outlook

The Central Bank of the UAE lowered its inflation forecast for 2025 by 0.4 percentage points to 1.5%, driven by lower oil prices, coupled with lower non-energy commodity prices, which have put downward pressure on transportation and food costs, the second and third largest components of the consumer basket. In 2026, UAE inflation is projected to moderately accelerate to 1.8%, primarily due to the base effect from the reduced CPI inflation in 2025.

### Inflation Drivers

Inflation in the UAE reached 0.6% in Q2 2025, driven primarily by easing food prices and reduced transportation costs, offsetting the sustained increase in housing inflation. This represents a sharp decline compared to the inflation rate of 1.4% Y-o-Y in the previous quarter.

Housing, water, electricity, gas and other utilities, accounting for 35.1% of the consumer basket, increased to 4.1% Y-o-Y in Q2 2025 compared to 3.9% Y-o-Y in Q1 2025. However, the transportation inflation declined by 9.5% Y-o-Y in Q2 2025, continuing its downward trend, due to lower energy prices. Moreover, the food and beverages component – the third largest group in the consumer basket – inflation slowed significantly in Q2 2025 to 0.1% Y-o-Y, from 0.4% in Q1 2025, reflecting the lagging effects of moderating food prices in international markets. Most of the other categories, with smaller weights in the consumer basket, experienced slight easing or declines in Q2 2025.

**Table 2.2 UAE CPI Inflation (Y-o-Y, %)**

	Weights	Q3 2024	Q4 2024	Q1 2025	Q2 2025
<b>All Items</b>	100.0	1.5	1.0	1.4	0.6
<b>Housing, water, electricity, and gas</b>	35.1	3.2	3.5	3.9	4.1
<b>Transportation</b>	12.7	-3.7	-7.8	-3.3	-9.5
<b>Food and beverages</b>	12.0	2.3	1.9	0.4	0.1
<b>Education</b>	7.6	2.2	2.1	1.6	1.5
<b>Information and communication</b>	5.9	-1.1	-1.0	-0.6	-0.6
<b>Textiles, Clothing and Footwear</b>	5.2	2.8	2.2	-0.2	-0.4
<b>Furniture and Household Goods</b>	5.1	-0.9	-1.7	-1.8	-0.1
<b>Miscellaneous Goods and Services</b>	4.9	3.3	3.9	2.8	2.9
<b>Restaurants and Hotels</b>	4.6	0.2	0.7	0.5	1.4
<b>Recreation and Culture</b>	3.1	6.0	8.0	6.7	6.4
<b>Medical Care</b>	2.2	0.2	0.2	0.4	0.4
<b>Insurance and Financial Services</b>	1.3	5.8	4.1	4.0	5.1
<b>Tobacco</b>	0.2	-2.0	-2.0	1.5	1.4

**Source:** Federal Competitiveness and Statistics Centre.

## Chapter 3

# Monetary and Financial Markets Developments





## III.1. Money Supply and Interest Rates

Monetary aggregates M1, M2 and M3 in Q2 2025 grew by 16.1%, 16.7% and 13.9% Y-o-Y, respectively

The UAE Central Bank kept the Base Rate unchanged at 4.4% in Q2 2025

DONIA-Base Rate gap narrowed in Q2 2025, after the introduction of the Overnight Murabaha Facility

### Monetary Aggregates

Strong growth in the money supply continued in Q2 2025. M1 increased by 16.1% Y-o-Y, reaching AED 1,026 billion by the end of June 2025. This growth reflected a 16% Y-o-Y increase in Monetary Deposits, which account for 85.6% of M1, and a 16.4% Y-o-Y rise in Currency-in-Circulation Outside Banks, which constitutes 14.4% of M1. M2 grew by 16.7% Y-o-Y to AED 2,531 billion, with Quasi-Monetary Deposits rising by 17.1% Y-o-Y, representing 59.5% of M2. Additionally, M3 expanded by 13.9% Y-o-Y, reaching AED 2,997 billion, aided by a 0.8% Y-o-Y increase in Government Deposits, which represent 15.6% of M3.

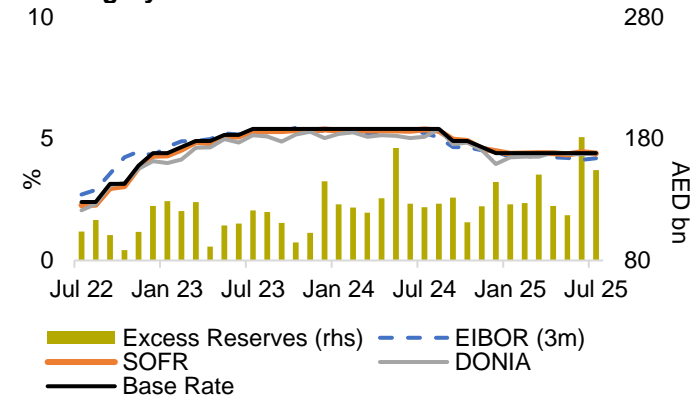
### Interest Rates

In line with the US Federal Reserve's monetary policy, the CBUAE maintained its key policy rate (Base Rate) at 4.40% in July. Overnight interbank rates remained below the Base Rate, but the spread narrowed significantly. The Dirham Overnight Interest Average (DONIA) rate averaged about 9 bps below the Base Rate, down from 15 bps in the previous quarter. This reduction in the spread is attributed to the introduction of the CBUAE's Overnight Murabaha Facility (OMF) on 26 March 2025. The narrowing of the DONIA-Base Rate gap occurred despite a small increase in system-wide excess liquidity to AED 136.4 billion on average for the quarter, up from AED 136.0 billion in the prior quarter.

The CBUAE balance sheet continued to expand due to robust net capital inflows. By the end of the quarter, the Aggregate Balance rose to AED 430.4 billion, from AED 386.8 billion in Q1. This increase was primarily driven by net foreign exchange inflows of AED 36.3 billion in the quarter. A decrease in outstanding M-bills, which reflected the amortisation of a large issuance during the quarter, and a decrease in Currency-in-Circulation also added to the Aggregate Balance. This was partially offset by a rise in government deposits at the CBUAE. Overall, the Aggregate Balance increased by AED 43.6 billion at quarter-end, leading to a positive monetary impulse.

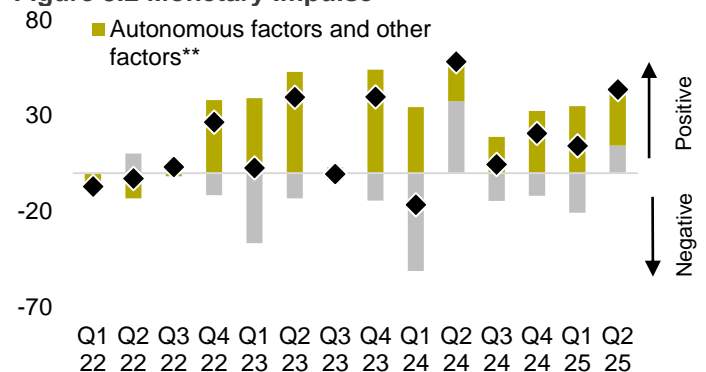
Longer tenor M-Bill yields declined from Q1 to Q2, in line with movements in US T-Bill yields. This reflected growing market expectations of cuts by the Federal Reserve over the remainder of 2025. This was partly unwound in April. Near-term rates were little changed over the period. The total outstanding volume of M-Bills dropped to AED 225.7 billion at the end of June, down from AED 240.6 billion at the end of March.

**Figure 3.1. UAE Rates and Excess Reserves in the Banking System**



Sources: Bloomberg, CBUAE.

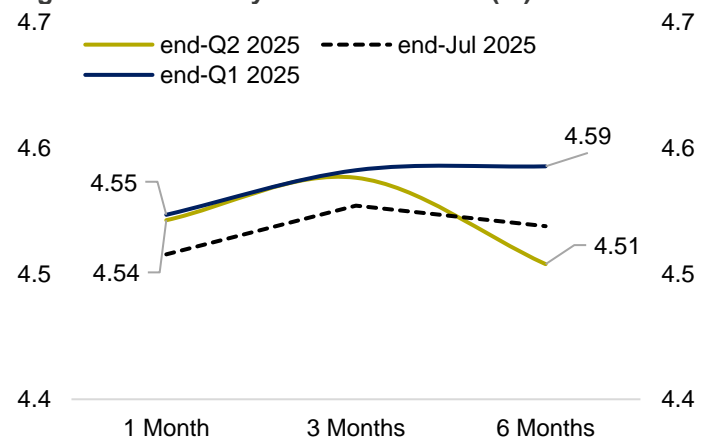
**Figure 3.2 Monetary Impulse**



Source: CBUAE.

**Notes:** \*/ Structural and fine-tuning monetary operations (monetary bills, Islamic certificates of deposit, FX swaps); \*\*/ Autonomous factors (comprise currency in circulation, state account balance, net capital flows, and other factors); \*\*\*/ The monetary impulse reflects the net change of the aggregate balance of the banking sector, equal to the sum of net flows from the autonomous factors and monetary operations.

**Figure 3.3 Monetary Bills Yield Curve (%)**



Source: CBUAE.

## III.2. Banking Developments

The overall banking system credit grew by 11.1% Y-o-Y, primarily driven by lending to corporate and retail sectors

Favourable funding and liquidity conditions, backed by a double-digit deposit growth of 13.1% Y-o-Y

Asset quality ratios of the UAE banking system improved further, with an additional decline in NPL ratios

### Banking System Assets and Structure

The UAE's total banking system's assets increased by 15.4% Y-o-Y to AED 4,973 billion by the end of Q2 2025. The UAE banking sector consisted of 61 banks, including 23 UAE national banks and 38 branches of foreign banks operating within the UAE.

### Banking System Credit and Deposits

The loan portfolio of the UAE banking system grew by 11.1% Y-o-Y, driven by the UAE's favourable economic environment. The main drivers in the UAE banks' domestic loan portfolio were private corporate and retail credit, which increased by 5.0% and 16.7% Y-o-Y, respectively.

UAE banks recorded a robust deposit growth of 13.1% Y-o-Y, which contributed to favourable funding conditions and strong lending capacity in the banking system. The main drivers were resident retail and private corporate deposits, increasing by 12.6 % and 20.0% Y-o-Y, respectively.

### Financial Soundness Indicators

The UAE banking system continued to maintain sound capital buffers well above the regulatory requirements, albeit moderating slightly to 17.3%. The reduction in the capital adequacy ratio was mainly due to higher growth in the risk-weighted assets compared to the eligible capital.

The UAE banking system's funding and liquidity conditions remained favourable, with a conservative loan-to-deposit ratio. This was also reflected in the solid liquidity and funding ratios, with the Eligible Liquid Assets ratio at 20.6% and the Advanced to Stable Resources ratio at 73.8%.

The UAE banking system's asset quality ratio continued to improve further, with the net NPL ratio and the NPL ratio declining to 1.7% and 3.9%, respectively.

**Table 3.1. Assets and Credit (AED billion)**

	Q2 2024	Q3 2024	Q4 2024	Q1 2025	Q2 2025
<b>Total Assets</b>	<b>4,310</b>	<b>4,402</b>	<b>4,559</b>	<b>4,719</b>	<b>4,973</b>
(Y-o-Y change)	11.3%	11.4%	12.0%	10.9%	15.4%
<b>Gross Credit</b>	<b>2,101</b>	<b>2,162</b>	<b>2,181</b>	<b>2,240</b>	<b>2,334</b>
(Y-o-Y change)	8.0%	9.1%	9.5%	9.4%	11.1%
<b>Domestic Credit</b>	<b>1,816</b>	<b>1,860</b>	<b>1,843</b>	<b>1,869</b>	<b>1,911</b>
(Y-o-Y change)	5.8%	6.9%	6.0%	5.2%	5.2%
<b>Foreign Credit</b>	<b>285</b>	<b>302</b>	<b>338</b>	<b>371</b>	<b>424</b>
(Y-o-Y change)	25.0%	25.1%	33.1%	37.3%	48.9%

Source: CBUAE.

Note: Data as end of the period.

**Table 3.2. Total Deposits (AED billion)**

	Q2 2024	Q3 2024	Q4 2024	Q1 2025	Q2 2025
<b>Bank Deposits</b>	<b>2,693</b>	<b>2,761</b>	<b>2,847</b>	<b>2,936</b>	<b>3,046</b>
(Y-o-Y change)	13.0%	14.1%	12.9%	10.5%	13.1%
<b>Resident Deposits</b>	<b>2,471</b>	<b>2,548</b>	<b>2,601</b>	<b>2,689</b>	<b>2,789</b>
(Y-o-Y change)	13.8%	14.2%	12.1%	10.3%	12.9%
<b>Non-Resident Deposits</b>	<b>222</b>	<b>213</b>	<b>246</b>	<b>249</b>	<b>257</b>
(Y-o-Y change)	5.1%	12.3%	21.9%	12.5%	16.0%

Source: CBUAE.

Note: Data as end of the period.

**Table 3.3. UAE Financial Soundness Indicators**

	Q2 2024	Q3 2024	Q4 2024	Q1 2025	Q2 2025
<b>Capital Adequacy</b>					
Capital Adequacy Ratio	18.3%	18.6%	17.8%	17.6%	17.3%
Tier 1 Capital Ratio	17.0%	17.2%	16.4%	16.2%	16.0%
Common Equity Tier 1 Ratio	15.3%	15.5%	14.7%	14.7%	14.6%
<b>Liquidity and Funding</b>					
Advances to the Stable Resources Ratio	72.6%	72.9%	72.2%	72.8%	73.8%
Loan-to-deposit Ratio	78.0%	78.3%	76.6%	76.3%	76.6%
Eligible Liquid Assets Ratio	20.6%	21.2%	21.3%	21.4%	20.6%
<b>Asset Quality</b>					
Net Non-Performing Loans Ratio	2.3%	2.3%	2.0%	1.8%	1.7%
Non-Performing Loans Ratio	5.4%	5.2%	4.7%	4.3%	3.9%

Source: CBUAE.

Note: Data as end of the period.

### III.3. Insurance Developments

In H1 2025, gross written premiums, number of insurance policies and gross paid claims increased by 14.5 %, 18.8 %, and 13.4%, respectively

Total technical provisions and total equity showed increase by 6.3% and 12.1% respectively in H1 2025

The insurance sector remained well capitalized in Q2 2025, with healthy capital adequacy and return on average assets

#### Insurance Sector Structure and Activity

The UAE insurance sector continued to grow in Q2 2025 in terms of written premiums, technical provisions, claims paid and equity. The sector remained well capitalised, with healthy capital adequacy and earnings ratios.

The number of licensed insurance companies in the UAE decreased to 58<sup>3</sup>, comprising 22 traditional national, 10 takaful national companies, 25 branches of foreign insurance companies, and one branch of a foreign reinsurer. The number of insurance-related professions increased to 508.

#### Key Performance Indicators

The Gross Written Premiums rose by 14.5% Y-o-Y to AED 40.9 billion in H1 2025, driven largely by a 17.8% increase in property and liability insurance, a 12.7% rise in health insurance, and an 11.2% gain in life insurance and fund accumulation products, mainly reflecting higher demand for individual life insurance.

Gross paid claims of all types of insurance plans increased by 13.4% Y-o-Y to AED 21.5 billion in H1 2025, comprising property and liability insurance claims of AED 8.0 billion, health insurance claims of AED 12.3 billion, and insurance of persons and fund accumulation claims of AED 1.2 billion.

In H1 2025, the total technical provisions<sup>4</sup> increased by 6.3% Y-o-Y to AED 100.1 billion. The volume of invested assets in the insurance sector reached AED 84.4 billion (57.2% of total assets), up from AED 78.7 billion (50.9% of total assets) during the same period in 2024.

The retention ratio<sup>5</sup> of written insurance premiums was 52.5% (AED 21.5 billion) in H1 2025, compared to 53.1% (AED 19.0 billion) in the previous year.

#### Insurance Soundness Indicators

The UAE insurance sector remained well-capitalised. With regard to the various capital adequacy ratios, the own funds<sup>6</sup> to Minimum Capital Requirement ratio increased to 423.4% in Q2 2025, compared to 376.0% in Q2 2024. As a result of an increase in own funds eligible to meet minimum capital requirements, the own funds to Solvency Capital Requirement ratio increased to 229.5% in Q2 2025 compared to 185.8% in Q2 2024. Similarly, the own funds to Minimum Guarantee Fund ratio reached 328.9% in Q2 2025, up from 286.7% in Q2 2024.

In terms of profitability indicators, the net total profit to net written premiums ratio reached 10.5% in Q2 2025. The return on average assets ratio was 0.9% in Q2 2025 compared with 0.7% in the same period of the previous year.

**Table 3.6 Key Indicators of the Insurance Sector (AED billions)**

	2024				2025*	
	Q1	H1 (Q1+Q2)	Q1-Q3 (Q1+Q2+Q3)	Full Year	Q1	H1 (Q1+Q2)
<b>1- Gross Written Premiums</b>	<b>21.0</b>	<b>35.7</b>	<b>50.8</b>	<b>65.1</b>	<b>23.9</b>	<b>40.9</b>
• Property & Liability	7.9	13.8	20.9	26.3	9.0	16.3
• Health Insurance	11.3	18.3	24.4	31.3	12.9	20.7
• Persons and Fund Accumulation	1.8	3.6	5.5	7.5	2.0	4.0
<b>2- Gross Claims Paid</b>	<b>9.3</b>	<b>18.9</b>	<b>29.9</b>	<b>41.6</b>	<b>11.0</b>	<b>21.5</b>
• Property & Liability	2.6	5.7	9.5	13.7	4.5	8.0
• Health Insurance	5.2	10.7	16.5	22.8	6.0	12.3
• Persons and Fund Accumulation	1.5	2.5	3.9	5.1	0.5	1.2
<b>3- Technical Provisions</b>	<b>84.3</b>	<b>94.2</b>	<b>97.2</b>	<b>92.2</b>	<b>95.5</b>	<b>100.1</b>
<b>4- Total Invested Assets</b>	<b>78.5</b>	<b>78.7</b>	<b>83.2</b>	<b>84.9</b>	<b>82.0</b>	<b>84.4</b>
<b>5- Total Assets</b>	<b>146.4</b>	<b>154.8</b>	<b>159.6</b>	<b>155.5</b>	<b>142.1</b>	<b>147.4</b>
<b>6- Total Equity</b>	<b>28.6</b>	<b>28.0</b>	<b>30.1</b>	<b>31.6</b>	<b>31.1</b>	<b>31.4</b>

Source: CBUAE.

Notes: \* Preliminary data, cumulative at end of period

**Table 3.7 Insurance Soundness Indicators (%)**

Description	2024				2025*	
	Q1	Q2	Q3	Q4	Q1	Q2
<b>1- Reinsurance ratio</b>						
Retention ratio	53.0	53.1	53.8	54.9	50.8	52.5
<b>2- Capital Adequacy Ratios</b>						
Own funds to Minimum Capital Requirement (MCR)	365.8	376.0	389.2	381.9	393.2	423.4
Own Funds to Solvency Capital Requirement (SCR)	193.8	185.8	198.5	195.7	204.1	229.5
Own Funds to Minimum Guarantee Fund (MGF)	297.5	286.7	288.9	272.8	294.7	328.9
<b>3- Earnings Ratios</b>						
Net total profit to net written premiums	7.6	6.0	7.1	7.3	7.3	10.5
Return on average assets	0.6	0.7	0.5	0.3	0.8	0.9

Source: CBUAE.

Notes: \* Estimated data

<sup>3</sup> Al-Khazna Insurance Company license has been revoked in 2025, due to failure to meet the licensing requirements to conduct business during the period of suspension of its license.

<sup>4</sup> Technical provisions are the amounts that insurers set aside and deduct to meet the insured's accrued financial liabilities as per Law's stipulations and financial regulations for insurance and Takaful companies.

<sup>5</sup> The retention ratio is calculated as the ratio of net written premium to gross written premium.

<sup>6</sup> Own funds consist of the capital that an insurance company has available to meet solvency requirements, which includes admissible assets less liabilities.

## III.4. Financial Developments

In Q2 2025, share prices in Dubai rose by 35.6% Y-o-Y and in Abu Dhabi by 8.1% Y-o-Y

In Q2 2025, Abu Dhabi's CDS premiums inched up, while Dubai's CDS declined, with both continuing to reflect low sovereign risk

The CBUAE Credit Sentiment Survey showed favourable credit conditions in Q2 2025

### Equity Markets

The Abu Dhabi Securities Market General Index (ADX) rose by 8.1% Y-o-Y in Q2 2025. Market capitalisation reached an average of AED 3.0 trillion, driven by a rise in share prices of some major companies, which constitute 25% of the total freely tradeable shares.

The Dubai Financial Market (DFM) General Index rose by 35.6% Y-o-Y in Q2 2025. Market capitalisation rose to an average of AED 953.0 billion, attributed mainly to the listing of the largest Real Estate Investment Trusts in the GCC under the name Dubai Residential REIT, augmented by the noticeable increase in market liquidity and activity. Furthermore, the inclusion of three new symbols in the MSCI index, namely Emaar Development, DEWA, and Salik, attracted inflows of approximately AED 3.0 billion, further bolstering the market capitalisation.

**Table 3.4 UAE Equity Markets**

			Q2-2024	Q3-2024	Q4-2024	Q1-2025	Q2-2025
Abu Dhabi Securities Market	Share Price Index*	Y-o-Y	-6.1%	-4.5%	-1.8%	1.9%	8.1%
	Market Capitalisation*	AED bn.	2754	2860	2931	2959	3007
		Y-o-Y	-0.01%	0.6%	1.7%	3.3%	9.2%
	Traded Value**	AED bn.	60	77	75	83	96
		Y-o-Y	-5.9%	9.3%	13.8%	23.9%	59.7%
Dubai Financial Market	Share Price Index*	Y-o-Y	11.5%	6.4%	22.4%	22.6%	35.6%
	Market Capitalisation*	AED bn.	686	733	821	912	953
		Y-o-Y	8.7%	6.3%	22.2%	26.1%	38.9%
	Traded Value**	AED bn.	22	24	33	40	43
		Y-o-Y	-18.4%	-21.3%	51.4%	64.9%	99.1%

Source: Securities and Commodities Authority.

Notes: \* Denotes averages for the period, \*\* Denotes end-of-period values.

### Credit Default Swaps (CDS)

The CDS spreads for the government of Abu Dhabi rose slightly from 39.2 bps in Q1 2025 to 39.3 bps in Q2 2025. Abu Dhabi CDS levels continue to remain very low, a testament to its low-risk economy, strong fiscal position, and significant buffers in sovereign wealth funds' balance sheets. Abu Dhabi continues to hold one of the lowest CDS premiums in the Middle East and Africa region. Dubai's CDS declined from 59.2 bps in Q1 2025 to 58.4 bps in Q2 2025, continuing to hold low CDS spreads.

### The CBUAE Credit Sentiment Survey

Credit conditions remained favourable in Q2 2025, underpinned by strong demand growth and lending appetite in recent quarters. Demand for both business and personal loans, along with financial institutions' willingness to extend credit, eased relative to the previous quarter, though levels remained broadly healthy. Resilient economic conditions, working capital needs, solid investment, and rising household incomes continued to support borrowing, with more favourable interest rates contributing to ongoing loan growth. Conditions are expected to strengthen moderately, pointing to continued growth in overall credit.

**Table 3.5 UAE – Sovereign Credit Default Swaps (average, bps)**

	2024			2025	
	Q2*	Q3*	Q4*	Q1*	Q2*
Abu Dhabi	40.9	39.8	42.5	39.2	39.3
Dubai	65.3	62.0	62.4	59.2	58.4

Source: Bloomberg.

**Head Office**  
**Central Bank of the UAE**  
**King Abdullah Bin Abdul-Aziz Al Saud Street**  
**P. O. Box 854**  
**Abu Dhabi**  
**United Arab Emirates**

**Dubai Branch**  
26th  
Street  
Bur Dubai  
P. O. Box 448  
Dubai  
United Arab  
Emirates

**Sharjah  
Branch** King  
Abdul Aziz  
Street Sharjah  
Industrial Area  
P. O. Box 645  
Sharjah  
United Arab  
Emirates

**Ras Al Khaimah  
Branch**  
Al Muntasir Road  
P. O. Box 5000  
Ras Al  
Khaimah  
United Arab  
Emirates

**Fujairah Branch**  
Hamid Bin  
Abdullah Road  
P. O. Box 768  
Fujairah  
United Arab  
Emirates

**Al Ain Branch**  
Ali Bin Abi Talib Street  
P. O. Box 1414  
Al Ain  
United Arab Emirates

**For further information, contact**  
Toll Free: 800 CBUAE (800 22823)  
Telephone: +9712-6652220  
Fax: +9712-6652504