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List of Abbreviations

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

Executive Summary

The UAE's economy in 2025 remained resilient despite regional tensions and volatile energy markets. Real GDP grew 6.2%, led by a 6.8% rise in non-hydrocarbon sectors, especially construction, finance and insurance, and wholesale and retail trade, while hydrocarbon GDP increased by 4.3%. External developments have increased uncertainty around the 2026 outlook. However, backed by strong fiscal and external buffers, the economy is expected to continue expanding, supported by substantial policy measures, including the CBUAE Financial Resilience Package, Dubai's AED 2.5 billion business support package, an expansionary infrastructure-focused budget, and potential sector-specific contingency support measures, among others. GDP growth in 2026 is projected at 1.7%, reflecting temporary moderation in both hydrocarbon and non-hydrocarbon sectors. Resilient public investment and ongoing diversification projects are expected to partly offset temporary moderation in trade, tourism activity, and private-sector sentiment. In 2027, overall GDP is projected at 9.8%, supported primarily by the assumed normalisation and step-up in hydrocarbon output and sustained non-hydrocarbon growth.

The CBUAE's inflation forecast for 2026 stands at 2.3%, reflecting supply-side conditions linked to regional geopolitical developments and their impact on energy, shipping, and food prices. UAE inflation is expected to remain moderate and below global averages, supported by housing-cost dynamics and the government's regulation of staple food items. For 2027, inflation is projected at 1.9%, as easing supply-side conditions and lower energy prices are expected to help balance domestic demand, with government measures continuing to support price stability.

The global economy is projected to expand by 3.1% in 2026, 0.2 percentage point revision from the IMF's January estimates. Risks to the outlook remain elevated, including ongoing geopolitical tensions, disruptions to energy production, a potential repricing of expectations for AI-led productivity gains, trade uncertainties and fiscal vulnerabilities in major economies. A more prolonged disruption could reduce global growth by 0.8 to 1.3 pp in 2026, depending on the intensity and duration of the shock. Across advanced economies, growth is expected to moderate to 1.8% in 2026. In the US, output is forecast to reach 2.3% in 2026, supported by fiscal stimulus and carryover effects from last year, before easing to 2.1% in 2027. Meanwhile, growth in emerging market and developing economies is projected to decelerate to 3.9% in 2026, down from 4.4% in 2025, with outcomes remaining uneven across regions.

Following three years of cooling in global price pressures, the IMF now expects global headline inflation to pick up to 4.4% in 2026, 0.6 pp higher than the previous forecast. This notable upward revision is driven by developments in the Middle East, raising energy and food prices. Risks are tilted firmly to the upside, with inflation potentially accelerating to around 5.4% in 2026 under an 'adverse' scenario, likely reflecting a more persistent increase in energy prices. The impact of higher energy prices is already visible in data releases, with the US headline CPI for April printing an upside surprise at 3.8% Y-o-Y, the highest level since May 2023, while core inflation also firmed. Although part of the rise in core inflation reflects idiosyncratic factors, the Fed is likely to remain concerned about spillovers from higher energy prices and rising inflation expectations. Against this backdrop of elevated inflation risks and high uncertainty, the Fed has kept the federal funds target range steady at 3.50%–3.75%.

In line with the Fed's monetary policy, the CBUAE maintained the Base Rate at 3.65% in Q1 2026 and through April. Market interest rates in the UAE broadly tracked the Base Rate, with the Dirham Overnight Index Average (DONIA) averaging 5 bp above it during the period.

The UAE banking sector recorded robust growth, with total assets rising by 17.7% Y-o-Y to AED 5.56 trillion by the end of Q1 2026. The loan portfolio expanded by 20.3% Y-o-Y, while deposits grew by 17.4% Y-o-Y over the same period. Banks maintained strong capital positions, with the capital adequacy ratio at 16.8% in Q1 2026, alongside improved asset quality, as indicated by a net non-performing loans ratio of 1.5%. The UAE insurance sector continued to grow, with gross written premiums and the number of policies rising 15.1% Y-o-Y and 9.5% Y-o-Y, respectively, in Q1 2026. Technical provisions and total equity increased by 7.9% and 15.8%, respectively, over the same period. Capital markets recorded solid gains at the end of Q1 2026, with the Dubai Financial Market's share price index increasing by 6.6% Y-o-Y and the Abu Dhabi Securities Market General Index rising by 1.6% Y-o-Y.

Chapter 1

International Economic Developments



I.1. Global Economic Outlook

Global economic growth is projected to slow to 3.1% in 2026 before reaching 3.2% in 2027

Advanced economies are forecast to grow steadily, while EMDEs are expected to grow by 3.9% and 4.2% in 2026 and 2027, respectively

GCC economic growth is projected at 1.4% in 2026 and 6.1% in 2027.

Global Economy

The global economy is forecast to grow by 3.1% in 2026, according to the IMF’s April 2026 World Economic Outlook (WEO). This represents a downward revision of 0.2 percentage points (pp) compared to the previous update, reflecting the impact of the recent regional developments in the Middle East, mainly through higher energy prices and disruptions to trade and maritime routes. The forecast for 2027 is unchanged at 3.2%.

Risks to the global outlook remain elevated. Regional developments in the Middle East have become a key area to monitor, with the scale and duration of potential disruptions to energy production and maritime trade remaining important considerations. Under an adverse scenario of a larger and more persistent rise in energy prices, global growth could slow to 2.5% in 2026, and further decline to approximately 2.0% under a more severe case. Additional risks include a potential re-evaluation of AI-driven productivity gains, further disruption of global trade policy frameworks, and fiscal vulnerabilities in major economies. On the upside, faster-than-expected materialisation of AI productivity gains and progress in trade negotiations could provide meaningful offsets.

Advanced Economies

Following a 1.9% growth in 2025, advanced economies are forecast to expand by 1.8% in 2026 and 1.7% in 2027. The overall impact of the Middle East conflict on advanced economies is modest on aggregate, lowering growth by 0.2 pp in 2026 relative to the October 2025 WEO projection, though the impact varies significantly across countries depending on their net energy trade position.

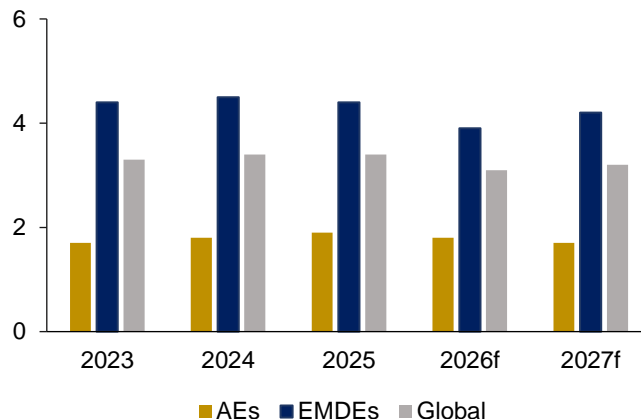
The United States (US) economy is expected to grow by 2.3% in 2026, supported by fiscal stimulus, the lagged impacts of the policy rate cuts last year, and carryover effects from the rebound in economic activity during Q1 2026. Nevertheless, this represents a modest 0.1 pp downward revision from the 2026 January forecast, despite the broadly positive terms-of-trade impact associated with the US being a net energy exporter. Growth is then expected to moderate slightly to 2.1% in 2027.

The euro area’s growth is projected to moderate to 1.1% in 2026, before recovering slightly to 1.2% in 2027. The forecast was revised downward by 0.2 pp for both years relative to the previous estimate, as the effects of the conflict add to the lingering drag from relatively high energy costs since 2022, particularly for net energy-importing economies.

In the United Kingdom, growth is forecast at 0.8% in 2026, a sizeable downward revision of 0.5 pp from the January WEO Update estimate, reflecting the impact of the Middle East conflict and a more gradual pace of monetary easing. Growth is projected to recover to 1.3% in 2027.

Japan’s economy is expected to slow from 1.2% in 2025 to 0.7% in 2026, amid softer external demand and higher energy prices. Government measures to cushion the impact of higher energy prices, together with the fiscal stimulus package announced in late 2025, are expected to provide partial support. Growth is projected at 0.6% in 2027.

Figure 1.1 Global Real GDP Growth (%)



Source: International Monetary Fund, World Economic Outlook – April 2026.

Note: f=forecast, AEs= Advanced Economies, EMDEs= Emerging Markets and Developing Economies.

Table 1.1 Real GDP Growth in Advanced Economies (%)

	2023	2024	2025	2026f	2027f
Global	3.3	3.4	3.4	3.1	3.2
AEs	1.7	1.8	1.9	1.8	1.7
US	2.9	2.8	2.1	2.3	2.1
Euro area	0.4	0.9	1.4	1.1	1.2
UK	0.3	1.1	1.3	0.8	1.3
Japan	0.7	-0.2	1.2	0.7	0.6

Source: International Monetary Fund, World Economic Outlook - April 2026.

Note: f=forecast, AEs=Advanced Economies.

Emerging Markets and the GCC Economies

According to the IMF’s latest report, economic growth in EMDEs is projected to ease to 3.9% in 2026, from 4.4% in 2025, representing a 0.3 pp downward revision from the January estimates. Growth is expected to recover to 4.2% in 2027. The effects of the Middle East conflict are expected to be uneven across EMDEs, reflecting differences in geographic proximity, financial linkages, remittance flows, and energy dependence. Overall, the impact on EMDEs could be somewhat larger than on advanced economies, reflecting differences in exposure and policy space.

Across emerging and developing Asia, growth is forecast to slow from 5.5% in 2025 to 4.9% in 2026, 0.1 pp lower than earlier estimates, before easing to 4.8% in 2027.

China’s 2026 growth forecast of 4.4% represents a 0.2 pp upward revision relative to October 2025, reflecting lower US effective tariff rates on Chinese goods and domestic stimulus measures that offset the negative impact of the Middle East conflict. Growth is expected to decelerate to 4.0% in 2027 as structural headwinds, such as a slow recovery in the housing sector, a declining labour force, and weak productivity growth, weigh on the economy.

India’s economy is expected to grow by 6.5% in 2026, up from previous forecasts. The positive carryover from a stronger-than-expected 2025 outturn and the reduction in additional US tariffs on Indian goods are the primary drivers, outweighing the adverse impact of the Middle East conflict. Growth is projected to remain steady at 6.5% in 2027.

In Latin America and the Caribbean, growth is projected to slow marginally to 2.3% in 2026 from 2.4% in 2025, before picking up to 2.7% in 2027. Smaller and less diversified economies in the region are more exposed to higher energy and transport costs associated with the conflict.

Growth in emerging and developing Europe is projected to remain steady at 2.0% in 2026, a 0.3 pp downward revision from the January projections, driven mainly by higher energy prices weighing on economic activity. Growth is projected to slightly rise to 2.1% next year.

Growth forecasts for GCC economies were revised for 2026, reflecting the direct and indirect effects of regional developments, including higher energy-related uncertainty, temporary disruptions to regional shipping routes, and a more cautious global environment for trade and investment. The softer outlook primarily reflects a cautious approach to hydrocarbon production, some logistical frictions in key trade corridors, and heightened uncertainty influencing trade and investment flows. While the scale of the impact varies across economies depending on infrastructure exposure and export route dependence, strong fiscal and external buffers, substantial sovereign assets, and policy support measures are expected to mitigate the effects on economic activity. A gradual normalisation of energy markets and transportation networks would support an improvement in growth conditions over time.

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

	2023	2024	2025	2026f	2027f
EMDEs	4.4	4.5	4.4	3.9	4.2
Brazil	3.2	3.4	2.3	1.9	2.0
China	5.4	5.0	5.0	4.4	4.0
India	7.2	7.1	7.6	6.5	6.5

Source: International Monetary Fund, World Economic Outlook – April 2026.

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

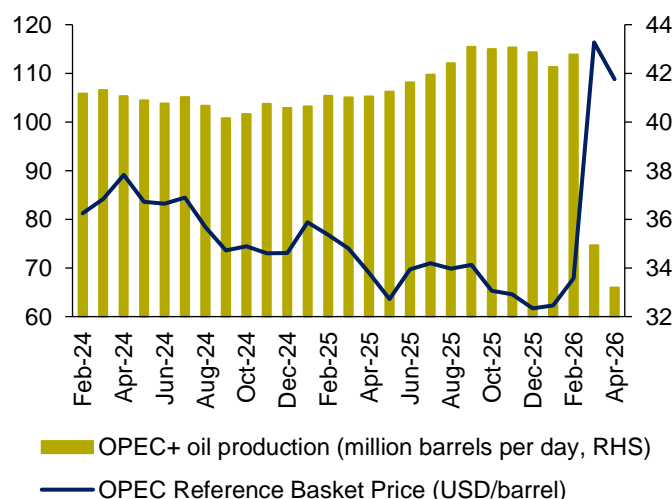
Table 1.3 Real GDP Growth in the GCC Economies (%)

	2023	2024	2025	2026f	2027f
GCC	1.5	3.3	4.6	1.4	6.1
UAE	4.3	6.6	6.2	1.7	9.8
Saudi Arabia	0.5	2.6	4.5	3.1	4.5
Qatar	1.5	2.4	2.8	-8.6	8.6
Kuwait	-1.6	-1.5	3.5	-0.6	2.8
Oman	1.4	1.6	2.4	3.5	3.4
Bahrain	3.9	2.9	3.1	-0.5	4.5

Source: International Monetary Fund, World Economic Outlook - April 2026. For the UAE, the Federal Competitiveness and Statistics Centre (2022-25) and the CBUAE (2026-2027).

Note: 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 Production and Oil Prices



Source: Organization of Petroleum Exporting Countries.

1.2. Inflation and Monetary Policy Responses

Global inflation is projected to rise to 4.4% in 2026, with heterogeneous impact across different economies

Advanced economies face renewed inflationary pressures from higher energy costs

Most central banks are adopting a cautious wait-and-watch approach and have kept rates on hold

Global

According to the IMF's April 2026 WEO, global headline inflation is expected to pause its disinflation run and accelerate to 4.4%. This represents a 0.6 pp upward revision relative to the January WEO forecast, driven by developments in the Middle East raising energy and food prices. This is the reference forecast, which assumes that ongoing regional tensions will be short-lived. If the regional tensions were to prove more protracted, the adverse scenario sees global inflation rising to 5.4% in 2026, while the severe scenario forecasts inflation rising near 6.0%. Inflation dynamics are expected to diverge across countries, with net oil-importing economies facing more persistent upward price pressure than energy-exporting economies, which benefit from improved terms of trade.

Advanced Economies

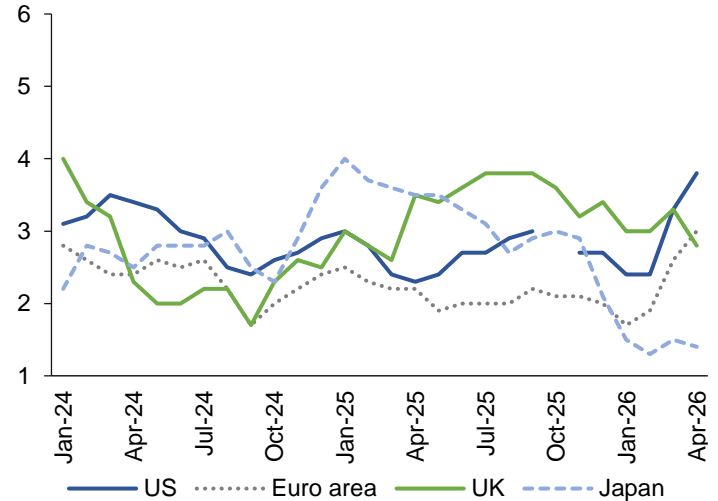
In the US, headline CPI accelerated sharply to 3.8% Y-o-Y in April 2026, the highest level in nearly three years. This was driven by a material rise in energy costs, with gasoline prices rising 50.0% since the start of regional tensions. Core CPI rose 0.2 pp to 2.8% Y-o-Y, though led partly by idiosyncratic factors, while goods prices softened, potentially reflecting waning tariff effects. Nonetheless, the potential spillovers from elevated energy costs and renewed supply chain disruptions leave inflation risks firmly tilted to the upside. The Fed maintained the federal funds rate at 3.50%–3.75% target range for the third consecutive meeting in April, albeit with marked voting dissent.

Euro area inflation rose to 3.0% Y-o-Y in April, the highest level since September 2023, on higher energy costs. However, the broader spillovers of rising energy prices remain contained so far, with core CPI easing 0.1 pp to 2.2% Y-o-Y. The ECB kept the deposit facility rate unchanged at 2.0% in April, noting that upside risks to inflation and downside risks to growth have intensified.

UK CPI decelerated to 2.8% Y-o-Y in April, the lowest level since March 2025. This was led by the introduction of an energy price cap by the UK's energy regulator on April 1. Core inflation cooled to 2.5% Y-o-Y, albeit narrowly led by services, while goods prices strengthened, reflecting still-present underlying price pressures. The Bank of England maintained its Bank Rate at 3.75% in April, although a few members kept the door open for rate hikes in case of a persistent rise in inflation.

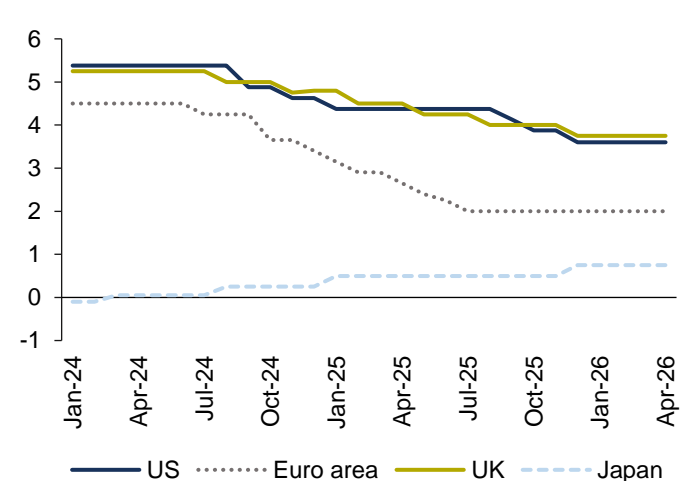
Japan's CPI slowed to 1.4% Y-o-Y in April, with a further slowdown in rice prices and the rollout of the free school lunch program weighing on food inflation. Core CPI slowed materially to 1.9% Y-o-Y, dipping below the Bank of Japan's (BoJ) 2.0% target for the first time since September 2022. The BOJ kept the policy rate unchanged at 0.75% in April, though it raised its core CPI forecast and stressed upside risks.

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

China's inflation rate rose to 1.2% Y-o-Y in April 2026, reflecting a gradual firming in energy price pressures and one-off factors, including seasonal holiday spending. Meanwhile, the People's Bank of China kept the one-year Loan Prime Rate unchanged at 3.0% for the twelfth consecutive month in May, reflecting a cautious stance as policymakers weigh waning growth momentum against uncertainty stemming from developments in the Middle East.

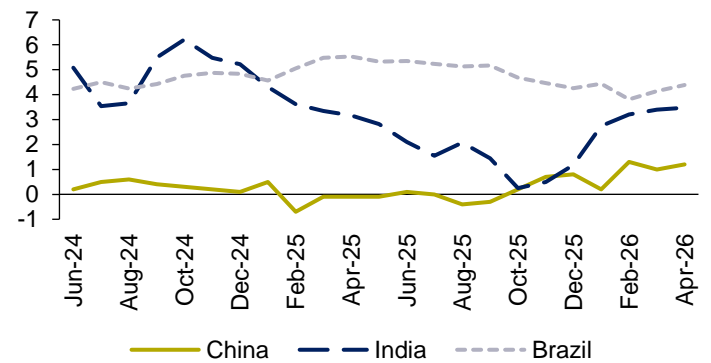
India's consumer inflation rose to 3.5% Y-o-Y in April 2026, reflecting higher food prices and the initial pass-through of rising global energy costs, though inflation remained below the Reserve Bank of India's (RBI) 4.0% midpoint target. The RBI kept the repo rate unchanged at 5.25% at its April meeting in a unanimous decision, while raising its FY2027 CPI inflation forecast to 4.6% and lowering its growth projection to 6.9%, citing elevated crude oil prices, a weaker rupee, and geopolitical uncertainty as key headwinds.

Brazil's annual inflation inched up to 4.4% Y-o-Y in April 2026, as price pressures intensified in food and transport, particularly due to higher vehicle fuel costs linked to the global energy disruption. While inflation has risen from recent lows, it remains within the Central Bank of Brazil's (BCB) tolerance band of 3.0% ± 1.5%. At its April meeting, the BCB cut its benchmark policy rate by 25 basis points to 14.5%, citing the uncertain external environment arising from the Middle East conflict, while noting that both headline and underlying inflation continued to accelerate and that inflation expectations for 2026 remained above target.

Inflation across the GCC remained broadly contained in April 2026, albeit with some regional divergences. Saudi Arabia's inflation inched down to 1.7% Y-o-Y in April 2026 on softening in housing and utilities, and a deeper deflation in clothing and footwear. Inflation in Qatar decelerated sharply to 2.6% Y-o-Y in April 2026, from 4.2% in March, with broad-based cooling across entertainment and culture, transport, and clothing and footwear. Oman's inflation decelerated to 3.2% Y-o-Y in April 2026, though remaining the highest in the GCC, supported by still elevated vegetable and transportation prices. Inflation in Kuwait rose to 2.6% Y-o-Y in April, the highest level since September 2024. This marked the second consecutive rise in inflation and was led by a sharp increase in transport and food costs. Inflation in Bahrain also rose, albeit to a lesser degree, inching up 0.3 ppts to 1.4% Y-o-Y, driven by higher transport and recreation costs, while the UAE's inflation stood at 2.0% Y-o-Y in December 2025.

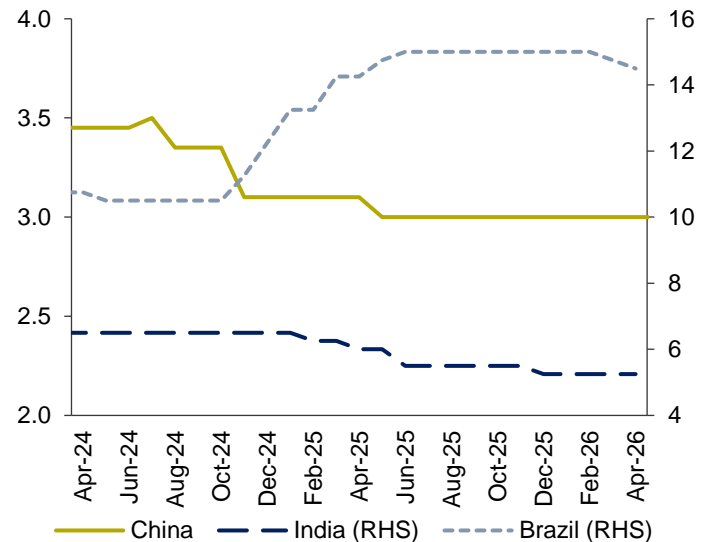
In April 2026, consistent with their monetary frameworks, all GCC central banks also held policy rates steady. The Saudi Central Bank maintained its benchmark repo rate at 4.25%, while Qatar's Central Bank kept its repo rate at 4.10%. Oman's repo rate remained at 4.25%, and Bahrain maintained its overnight deposit rate at 4.25%. The Central Bank of Kuwait, pegged to a basket of currencies, also kept its discount rate unchanged at 3.50%.

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



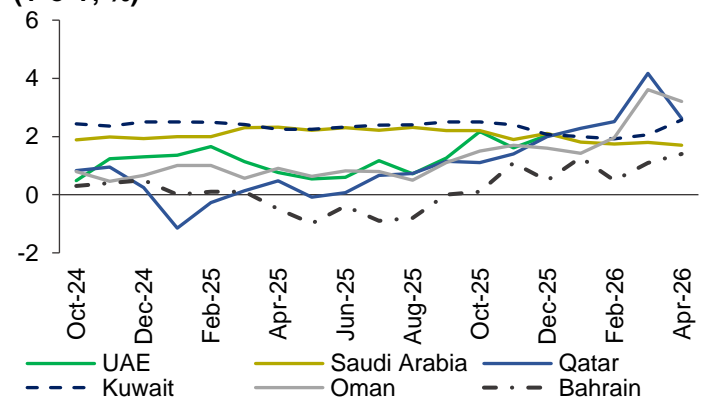
Source: Bloomberg.

Figure 1.6 Policy Rates in Selected Emerging Economies (%)



Source: Bloomberg.

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



Source: Bloomberg, Federal Competitiveness and Statistics Centre.

I.3. Global Markets' Developments

Global financial conditions are facing risks of further tightening, given elevated geopolitical uncertainty

High inflation has weighed on the record rallies of precious metals seen in both 2025 and early 2026

Brent prices rose sharply by 80.6% Y-o-Y to USD 114.0 p/b in April, driven by regional developments

Global Financial Conditions

Global financial markets are facing a combination of marked geopolitical uncertainty and higher inflationary pressures, raising risks of tightening in financial conditions. Despite a sharp rise in bond yields, several major equity markets have posted exceptionally strong gains, widening the divergence between bond and equity market performance. Portfolio inflows to emerging markets have been volatile, falling sharply following the onset of Middle East developments before partially recovering in April. Energy importers remain disproportionately impacted, with unwinding of carry trades and capital outflows adding to exchange rate pressures. Sovereign bond markets are now facing heightened rollover risks given high public debt and increasing reliance on short-term issuance. While financial market functioning has remained broadly orderly, signs of stress are emerging in private credit markets. Leverage in non-bank financial institutions remains a key source of latent risk, with the potential for volatility to rise if liquidity strains materialise.

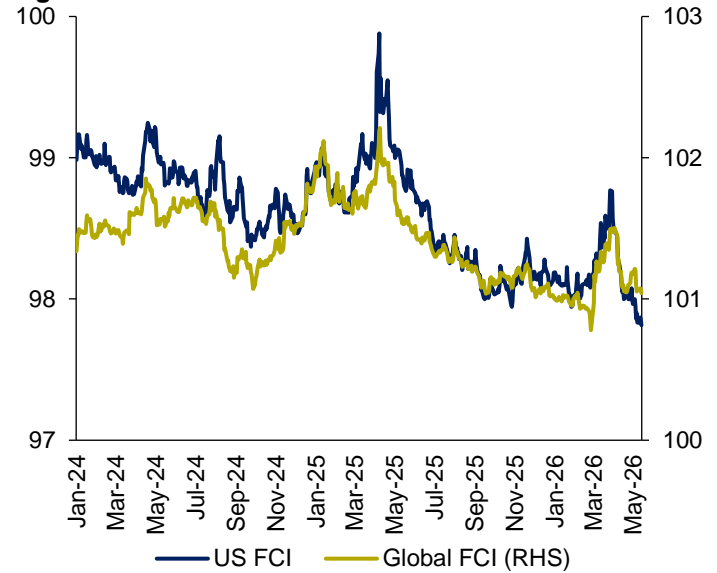
US equity markets have remained notably resilient, reaching record highs amid first-quarter earnings that exceeded expectations, particularly in the technology sector. This has somewhat eased concerns that elevated energy costs would significantly erode corporate profitability and suggests that substantial investment in artificial intelligence is being rewarded by markets. The cost of government debt financing has risen sharply, with 30-year debt issued above the 5.0% yield for the first time since 2007. Rising inflation and expectations that the Fed will keep rates higher for longer have contributed to higher yields and tighter financial conditions, further worsening the US fiscal outlook.

Commodities

Brent crude prices rose sharply by 80.6% Y-o-Y to USD 114.0 p/b in April, driven by regional developments, including temporary disruptions around the Strait of Hormuz, a critical waterway accounting for around a quarter of global seaborne oil trade. However, the US Henry Hub declined by 15.4% Y-o-Y in April, as the milder spring season weighed on demand and supported healthy stockbuilds. Elevated inflation and expectations of a prolonged period of tight monetary policy weighed on non-yielding assets, including precious metals. The historic rally in gold has lost its momentum, softening to USD 4,617 per troy ounce in April, down from its all-time high of around USD 5,600. Temporary disruptions around the regional maritime routes could affect alumina supplies to Middle East smelters, raising the risk of temporary production disruptions and contributing to a 44.8% Y-o-Y increase in aluminium prices. Strong demand for aluminium and copper for data centres is also supporting high prices.

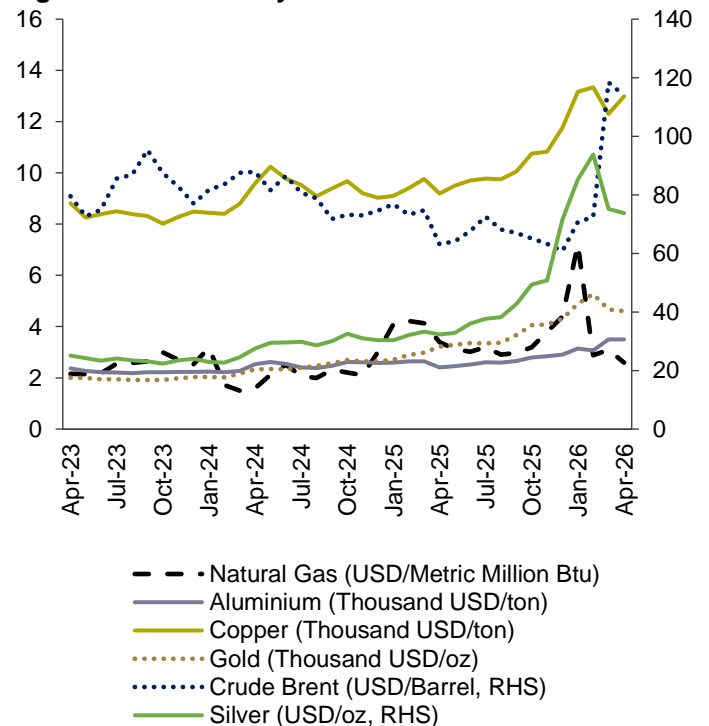
Middle East tensions also pose a risk to global food security as the region accounts for roughly 30.0% of fertiliser exports, a key input for healthy crop yields. The FAO food price index has already increased by 2.0% Y-o-Y to 130.7 in April, the highest level since February 2023.

Figure 1.8 Financial Conditions Indices



Source: Goldman Sachs.

Figure 1.9 Commodity Prices



Source: Bloomberg.

Chapter 2

Domestic Economic Developments



II.1. Economic Growth

GDP growth surged to 6.2% in 2025, driven by a 6.8% growth in non-hydrocarbon sectors, led by construction and finance

Although the 2026 growth outlook is subject to regional trade-route uncertainty, early indicators signal an expansion in business activity

Proactive government measures, backed by strong buffers, help ease the effects of external developments

Overall GDP

The UAE's economy remained resilient in 2025 despite regional tensions and volatility in energy markets. Real GDP grew by 6.2%, supported by strong non-hydrocarbon activity, which expanded by 6.8% Y-o-Y, led by construction, financial and insurance services, and wholesale and retail trade. Hydrocarbon GDP also increased by 4.3%, following OPEC+ quota adjustments.

As a result, the non-hydrocarbon sector remained the main driver of growth, underscoring the UAE's continued progress in economic diversification. Looking ahead, the 2026 outlook is subject to uncertainty amid the current regional environment.

Hydrocarbon GDP

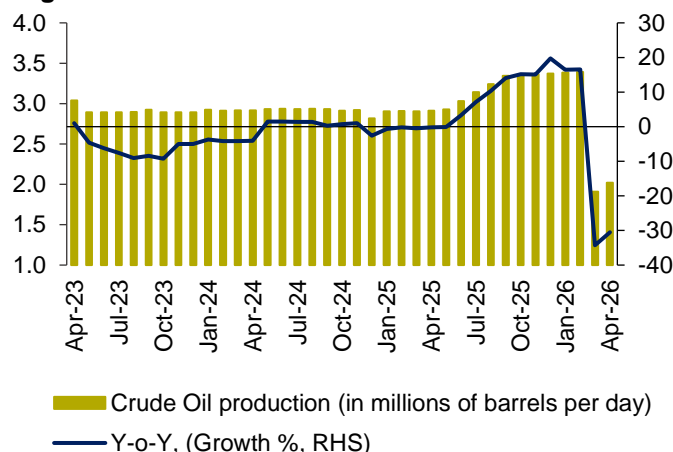
Following strong increases in oil production in Q3 and Q4 2025, by 10.5% and 16.6%, respectively, hydrocarbon GDP grew by 4.3% over the year. However, temporary regional maritime-route disruptions in March and April 2026 were associated with lower oil production of 34.3% and 30.4% Y-o-Y, respectively. As a result, oil production was lower by 8.0% Y-o-Y over the first four months of 2026, averaging 2.68 million barrels per day.

Meanwhile, domestic gas production had a softer start to 2026, declining to 516 million MMBtu in Q1, down 12.3% from Q4 2025. Domestic demand also eased, with gas sales closely tracking the production pattern and declining by 10.5% Y-o-Y.

Non-Hydrocarbon GDP

In 2025, non-hydrocarbon GDP growth of 6.8% was broad-based across sectors. Construction contributed 1.4 percentage points (pp) to non-hydrocarbon growth, supported by its sizeable share of non-hydrocarbon GDP (12.4%) and strong double-digit expansion (11.1%). Financial and insurance activities followed closely, adding 1.3 pp, reflecting robust growth of 10.4% and underscoring the sector's growing role as a key engine of non-oil activity. Wholesale and retail trade, the largest sector by share (16.9%), contributed 1.2 pp, with solid growth of 6.9% supporting domestic demand. Meanwhile, real estate activities and transportation and storage each contributed 0.6 pp to non-hydrocarbon growth, supported by a growth rate of around 8%, highlighting the importance of services and logistics in the diversification agenda. Manufacturing added a further 0.5 pp. Taken together, these top six sectors accounted for the bulk of non-hydrocarbon growth, while the remaining 10 sectors contributed 1.3 pp.

Figure 2.1 UAE Crude Oil Production



Source: Organization of Petroleum Exporting Countries.

Table 2.1 Top Contributing Sectors to Non-Hydrocarbon GDP Growth in 2025

Sectors	Shares of non-hydrocarbon GDP (%)*	Growth (Y-o-Y, %)	Contributions to real non-hydrocarbon GDP growth (pp)
Construction	12.4	11.1	1.4
Financial and insurance activities	12.7	10.4	1.3
Wholesale and retail trade	16.9	6.9	1.2
Real estate activities	7.8	7.9	0.6
Transportation and storage	7.0	7.8	0.6
Manufacturing	13.2	3.5	0.5
The remaining 10 sectors	29.9	4.5	1.3
Non-hydrocarbon GDP	100	6.8	6.8

Source: FCSC and CBUAE calculations.

*: Shares are of 2024 serving as the base to calculate the contributions in 2025.

GDP Outlook

In 2026, UAE real GDP growth is projected at 1.7%, reflecting temporary moderation in both hydrocarbon and non-hydrocarbon sectors. Temporary regional maritime-route disruptions in 2026 are expected to influence activity through several channels. On the external side, disruptions to regional shipping routes and heightened uncertainty are likely to delay trade flows and raise transportation and insurance costs for oil and other key commodities. These effects are expected to weigh on logistics, wholesale and retail trade, and manufacturing. Services activity, including tourism-related sectors, may experience temporary moderation amid regional developments.

Regional developments are, in turn, feeding into domestic activity. This is partly reflected in a moderation of the Purchasing Managers' Index (PMI) in March and April, although it remains above the threshold level, indicating that private-sector activity is still expanding. As a result, non-hydrocarbon growth in 2026 is expected to remain positive. Continued public investment and ongoing diversification projects are expected to partly offset temporary moderation in trade, tourism activity, and private-sector sentiment.

In 2027, overall GDP growth is projected at 9.8%, driven primarily by a sharp acceleration in hydrocarbon GDP to 25.7%, while non-hydrocarbon growth is expected to remain solid at 4.5%. The projected increase in oil and gas activities is driven by two main effects: the base effect from lower production in 2026 and an increase in production as supply constraints ease and production rises toward the UAE's targeted capacity of around 5 million barrels per day by 2027. The UAE's hydrocarbon export resilience is also expected to improve materially. ADNOC's Habshan-Fujairah pipeline bypasses the Strait of Hormuz and currently provides export capacity of around 1.8 million barrels per day. Plans to expand this corridor through an additional parallel pipeline would further reduce the UAE's exposure to potential regional maritime disruptions and strengthen continuity of hydrocarbon exports over the medium term.

Supporting Policy Measures

While uncertainty around the 2026 outlook remains, some upside potential also remains. A faster-than-expected de-escalation, substitution toward domestic demand, and more targeted fiscal support could help cushion the moderation in growth. The UAE enters this period of higher uncertainty with strong fiscal and external buffers and greater policy capacity to respond to shocks. Overall, the growth is expected to remain positive in 2026, supported by sound macroeconomic fundamentals and timely policy action. Key measures include the CBUAE Financial Resilience Package, which constituted a pre-emptive comprehensive financial sector resilience program; Dubai's AED 2.5 billion business support package; and an expansionary public budget focused on infrastructure spending, alongside the potential deployment of targeted contingency support for the most affected sectors. Together, these measures should help mitigate the moderation in growth and sustain confidence among businesses and investors.

Table 2.2 Real GDP Growth in the UAE (%)

	2023	2024	2025	2026f	2027f
Overall GDP	4.3	6.6	6.2	1.7	9.8
Hydrocarbon GDP	-3.0	0.6	4.3	0.8	25.7
Non-hydrocarbon GDP	7.0	8.6	6.8	1.9	4.5

Sources: Federal Competitiveness and Statistics Centre (2023-2025), CBUAE (2026-2027).

Note: f=forecast.

Table 2.3 Supporting Government Measures and Mitigating Factors

Government Measures	
Category	Details
Financial Resilience	- The Central Bank's Financial Institution Resilience Package provides a liquidity supports to banks.
Active Policy Response	- Dubai's AED 2.5 billion package; fee deferrals and customs extensions to support cash flow in tourism and trade.
Expansionary Fiscal Policy	- Dubai's AED 272 billion three-year budget focuses on infrastructure; federal fiscal surpluses remain positive.
Targeted Sectoral Support	- Potential activation of the Tourism Sector Targeted Economic Support Scheme (AED 5–10 billion) and the UAE National Tourism Fund (AED 5 billion). - Three-month deferral of multiple government fees. - 100% deferral of hotel sales fees.
Market Confidence	- Stability in domestic financial intermediation, evidenced by active retail sukuk trading.
Stock Markets	- DIFC and DFSA relief package: flexible payment plans on licence renewals and fees. - Dubai Integrated Economic Zones Authority (DIEZ): rent stabilisation and waiver of minor administrative penalties.
Mitigating factors	
Category	Details
Federal and Local Resilience Coordination	- Stability in essential goods (food/supplies) and import diversification, limiting inflation and supply availability risks.
Demand Substitution	- Residents are redirecting spending from outbound travel to domestic tourism, retail, and leisure.
Oil Market Cushion	- Higher oil prices help offset temporary volume impacts linked to regional maritime disruptions
Business Resilience	- Pockets of growth in specific free zones and sectors despite an uneven broader environment.

Purchasing Managers' Index (PMI)

Economic activity in the UAE's non-hydrocarbon private sector remained expansionary in April 2026, while momentum moderated amid more cautious demand conditions and regional developments. The Purchasing Managers' Index (PMI) eased to 52.1 from 52.9 in March, though remaining above the neutral 50 threshold and continuing to signal an expansion in business activity. In Dubai, business activity moderated, with the PMI declining to 51.6 in April from 53.2 in the previous month. The moderation reflected more measured demand growth and slower activity in trade and tourism-related sectors. Nevertheless, firms remained optimistic that an easing in regional tensions and improvement in demand conditions would support a gradual improvement in the months ahead.

Employment and Wages

As of March 2026, the number of employees covered by the CBUAE Wages Protection System (WPS)¹ increased by 11.7% Y-o-Y, while the average wage rose by 0.7% Y-o-Y², over the same period. The combination of strong employment growth, particularly in relatively lower-paying operational roles, and broadly stable wages points to continued expansion in labour demand without significant wage pressures. This pattern is consistent with healthy economic growth supported by stronger business activity, while suggesting limited pass-through to labour-cost inflation.

Government Revenue and Expenditure

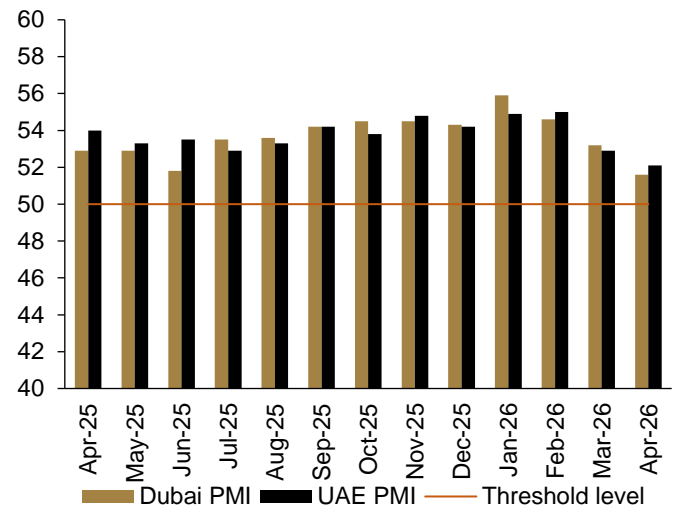
The UAE continued to demonstrate a strong fiscal position in 2025, maintaining a general government budget surplus of 3.7% of GDP. While this represents a moderation from the 6.2% recorded in the previous year, the fiscal balance remains positive. The narrowing of the surplus was driven mainly by higher public expenditure, while overall revenue generation remained broadly stable.

Fiscal sustainability was further supported by the relatively low level of general government gross debt. According to IMF estimates, gross debt declined from 34.9% of GDP in 2024 to 34.3% in 2025 and is projected to fall further to 31.4% of GDP in 2026.

In 2025, total revenue remained broadly unchanged at AED 563.5 billion, although it declined as a share of GDP from 26.4% to 25.0%. Tax revenue fell by 7.8%, equivalent to a decline to 15.1% of GDP, but this was partly offset by a 15.2% increase in other revenue and an 8.3% rise in social contributions. This composition points to the growing stabilising role of more diversified non-tax revenue sources.

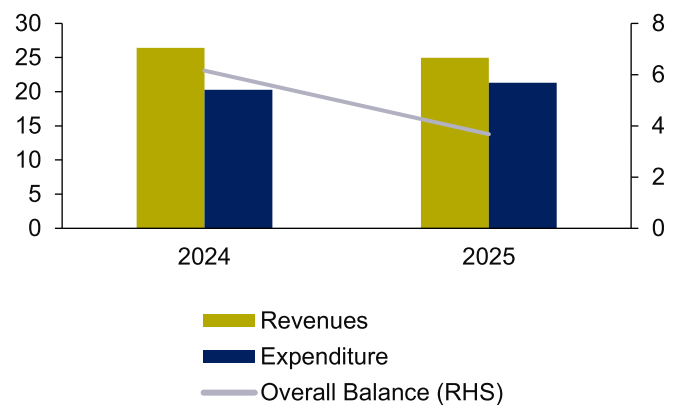
Total expenditure rose by 11.1%, increasing from 20.3% to 21.3% of GDP. Higher spending was recorded across all major categories, including compensation of employees (+2.6%), use of goods and services (+11.6%), and interest payments (+38.6%). Capital expenditure recorded the strongest growth, rising by 64.5%, which points to a continued emphasis on development and infrastructure spending. By contrast, subsidies declined by 17.2%, while social benefits, the second-largest expenditure item, fell by 5.0% relative to the previous year.

Figure 2.2 UAE PMI (above 50 means expansion)



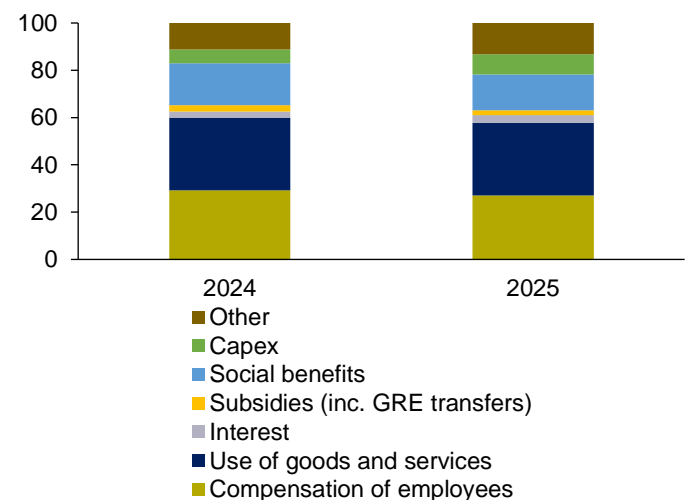
Source: S&P Global.

Figure 2.3 Main Fiscal Indicators (% of GDP)



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

Figure 2.4 Expenditure Structure as a Share of Total Expenditure (%)



Source: UAE Ministry of Finance and CBUAE.

¹ Data exported in mid-May 2026.

² Employment and average wage growth rates were calculated using 3-month moving average.

II.2. Real Estate Analysis

UAE real estate sector continues solid development with sales volume growth across all major property types and sales segments

The Abu Dhabi residential real estate sector experienced accelerated transaction volumes from mid-2025 through the first quarter of 2026

Dubai real estate sector showed a more sustainable pace in early 2026

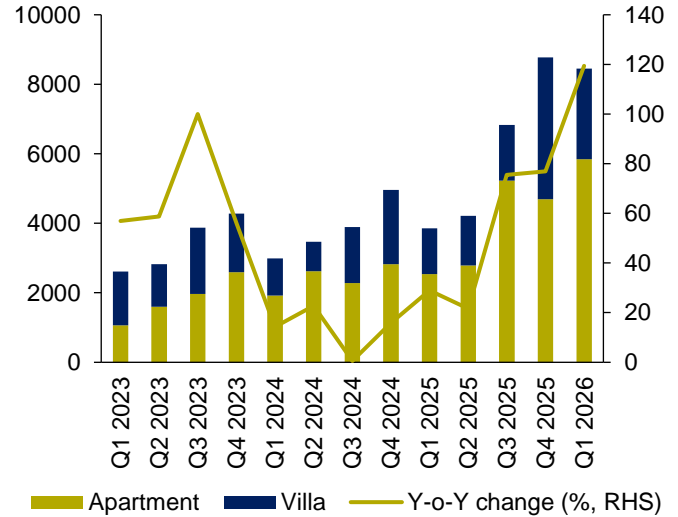
Real Estate Sales

The UAE real estate sector showed robust growth in the first quarter of 2026, driven by rising transaction volumes across Abu Dhabi and Dubai. Sustained demand from international investors and a growing local population supported this expansion. The market also continued to attract significant capital inflows, supported by rental yields that remain attractive relative to those in other major global cities.

The Abu Dhabi residential real estate sector experienced accelerated transaction volumes from mid-2025 through the first quarter of 2026, reaching a 119.6% Y-o-Y increase. This expansion occurred across all property types and sales segments. Driven by sustained demand for new developments in Abu Dhabi's premium locations, apartment and villa sales expanded by 129.8% Y-o-Y and 99.6% Y-o-Y, respectively. The off-plan sector recorded the most significant growth, with apartment sales rising by 180.6% Y-o-Y and villa sales increasing by 175.5% Y-o-Y.

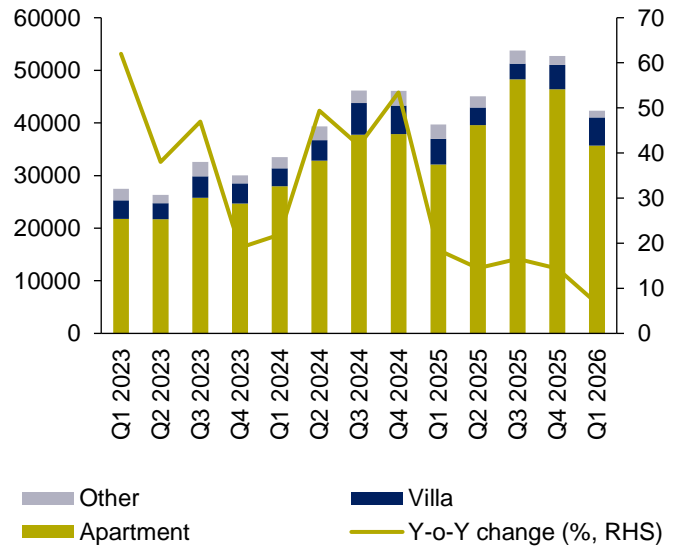
Dubai also maintained strong growth momentum during the first quarter of 2026, registering a total transaction value increase of 30.3% Y-o-Y. Transactions rose across various categories, with apartment sales being the biggest contributor with 11.3% Y-o-Y growth, whereas villa transactions increased 9.3% Y-o-Y. The off-plan segment again played an important role, with apartment and villa transactions increasing by 20.9% and 19.0% Y-o-Y, respectively, supported by sustained investor confidence and continued demand across the emirate.

Figure 2.5 Real Estate Sales Transactions in Abu Dhabi



Source: Abu Dhabi Real Estate Centre (ADREC).

Figure 2.6 Real Estate Sales Transactions in Dubai



Source: Dubai Land Department (DLD), Data.Dubai Platform.

II.3. UAE Foreign Trade

The UAE’s non-oil foreign trade of goods rose strongly by 27.4% to AED 3,568 billion in 2025

Non-oil exports increased by 47.8% to AED 801.1 billion, and re-exports rose by 15.0% to AED 719.6 billion

The UAE NEER depreciated by 1.5% Y-o-Y in March 2026, broadly reflecting the weakening of the USD

UAE’s International Trade

The UAE’s non-oil foreign trade of goods expanded strongly in 2025, rising by 27.4% to AED 3,568 billion. Non-oil exports increased markedly by 47.8% to AED 801.1 billion, primarily driven by higher exports of gold, jewellery, and aluminium. Switzerland was the largest destination for non-oil exports, accounting for 21.5% of the total, followed by India (12.4%) and Hong Kong SAR (11.6%). Gold continued to dominate non-oil exports, accounting for 59.3% share, while jewellery (4.9%) and aluminium (3.5%) ranked as the second- and third-largest export categories, respectively.

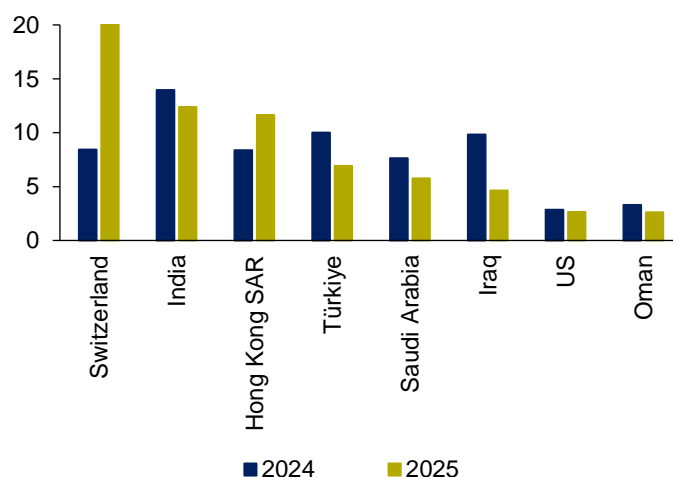
Re-exports also posted solid growth, increasing by 15.0% to AED 719.6 billion in 2025. Saudi Arabia retained its position as the leading re-export destination, representing 16.9% of the total, followed by Iraq (9.9%) and India (6.1%). Telecommunications equipment accounted for the largest share of re-exports at 23.0%, while diamonds (8.1%) and motor vehicles (7.5%) were among the other key categories.

Meanwhile, imports rose by 25.4% in 2025, reaching AED 2,047.9 billion. China remained the UAE’s largest import partner with an 18.9% share, followed by India (6.7%) and the US (5.5%). Gold was the leading imported category, accounting for 29.2% of total imports, while telecommunications equipment (10.1%) and motor vehicles (5.9%) represented the second- and third-largest import categories, respectively.

Exchange Rate

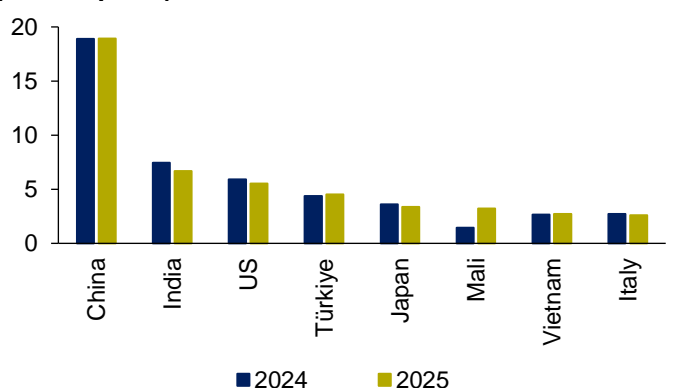
The nominal effective exchange rate (NEER), which compares the national currency against a basket of currencies of the UAE’s key trading partners, depreciated by 1.5% Y-o-Y in March 2026, broadly reflecting the weakening of the US Dollar. The real effective exchange rate (REER), which adjusts for inflation differentials between the UAE and its trading partners, also depreciated by 1.6% over the same period. This suggests a modest improvement in external price competitiveness, supported in part by the UAE’s relatively lower inflation compared with that of its main trading partners.

Figure 2.7. UAE Non-Oil Exports to Major Trading Partners (% of Non-Oil Exports)



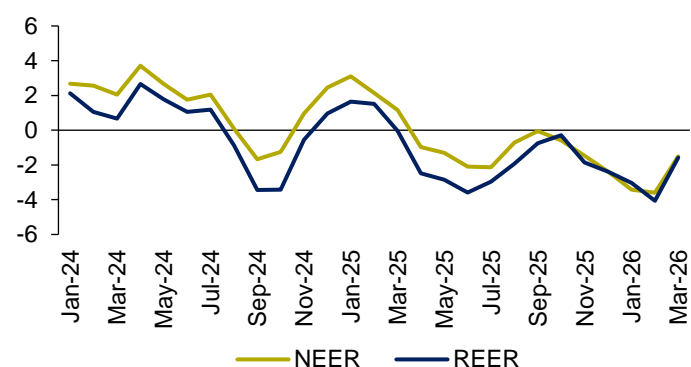
Source: Federal Competitiveness and Statistics Centre, preliminary data.

Figure 2.8. UAE Imports from Major Trading Partners (% of Imports)



Source: Federal Competitiveness and Statistics Centre, preliminary data.

Figure 2.9. Nominal and Real Effective Exchange Rates* (Y-o-Y, %)



Source: CBUAE.

* An increase means appreciation, and a decrease means depreciation

II.4. Inflation

The CBUAE forecasts UAE inflation at 2.3% in 2026 and 1.9% in 2027.

Energy costs and global food prices are expected to add to inflation

Abu Dhabi's inflation averaged 1.4% Y-o-Y in January-February 2026, and Dubai's inflation averaged 3.7% Y-o-Y in January-April 2026

Abu Dhabi Inflation

Consumer price inflation in Abu Dhabi averaged 1.4% Y-o-Y in January-February 2026, reflecting divergent price developments across the main components of the consumer basket.

The housing, water, electricity, gas, and other utilities component, which accounts for 33.6% of the consumer basket, increased by 4.7% Y-o-Y. This was partly offset by a 4.6% year-on-year decline in transportation costs. Food and beverage prices rose by 1.5% Y-o-Y, whereas textiles, clothing and footwear prices fell markedly by 7.5% Y-o-Y over the same period. Other categories made only a limited contribution to overall inflation.

Dubai Inflation

Consumer price inflation in Dubai averaged 3.7% Y-o-Y in January-April 2026, driven primarily by housing-related costs.

The housing component, which accounts for 37.6% of the basket, rose by 7.4% Y-o-Y, while transportation and food and beverages prices increased by 2.9% Y-o-Y and 4.0% Y-o-Y, respectively. Education costs also recorded a 2.5% Y-o-Y increase. These upward pressures were partly offset by modest declines in information and communication prices of 0.3% Y-o-Y and in textiles, clothing and footwear prices of 0.2% Y-o-Y. Other categories had only a limited impact on overall inflation.

Inflation Outlook

The CBUAE's inflation forecast for 2026 stands at 2.3%, primarily reflecting supply-side factors linked to heightened regional uncertainty and their impact on global energy markets, shipping costs, and food prices. Higher global food and energy costs may add some upward pressure on domestic inflation. However, inflation in the UAE is projected to remain moderate and well below global averages, supported by easing housing cost pressures and the government's regulation of staple food items, which continues to help contain increases in essential consumer prices and moderate broader inflationary pressures.

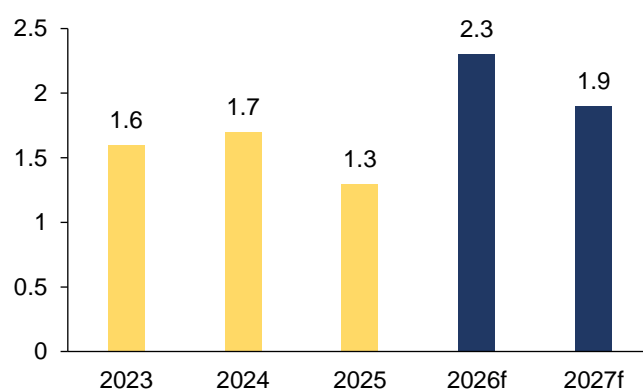
For 2027, the CBUAE projects inflation at 1.9%, as easing supply-side pressures and moderating energy prices are expected to help balance domestic demand, with government measures continuing to support price stability.

Table 2.4 Abu Dhabi and Dubai CPI Inflation (Y-o-Y, %)

	Abu Dhabi		Dubai	
	Weights	Jan-Feb 2026	Weights	Jan-Apr 2026
All Items	100.0	1.4	100.0	3.7
Housing, water, electricity, and gas	33.6	4.7	37.6	7.4
Transportation	14.0	-4.6	11.7	2.9
Food and beverages	12.0	1.5	9.6	4.0
Education	7.6	0.0	8.0	2.5
Information and communication	5.7	1.1	5.3	-0.3
Textiles, clothing and footwear	4.9	-7.5	5.6	-0.2
Furniture and household goods	6.4	5.6	4.0	0.7
Miscellaneous goods & services	4.6	3.8	6.0	0.1
Restaurants and hotels	3.6	2.2	5.7	0.5
Recreation and culture	3.9	-1.0	3.5	1.1
Medical care	2.2	0.0	1.1	1.0
Insurance and financial services	1.2	3.5	1.6	0.9
Tobacco	0.2	0.5	0.4	4.2

Source: SCAD and Data.Dubai Platform.

Figure 2.10 UAE Inflation Outlook (CPI, %)



Sources: Federal Competitiveness and Statistics Centre (2023-2025), CBUAE (2026 and 2027).

Note: f=forecast.

Chapter 3

Monetary and Financial Markets Developments



III.1. Money Supply and Interest Rates

Monetary aggregates M1, M2 and M3 in Q1 2026 increased by 8.8%, 17.7% and 17.7% Y-o-Y, respectively

The CBUAE maintained the Base Rate at 3.65% in Q1, following the FOMC decision to leave the Fed Funds rate unchanged

DONIA-Base Rate gap widened to 5 bps in Q1 2026 amid higher uncertainty

Monetary Aggregates

Money supply continued to grow at a solid pace in Q1 2026. M1 increased by 8.8% Y-o-Y, reaching AED 1,073 billion by the end of March 2026. This reflected a 7.7% Y-o-Y increase in Monetary Deposits, which account for 84.2% of M1, and a 14.9% Y-o-Y rise in Currency-in-Circulation Outside Banks, or 15.8% of M1. M2 grew by 17.7% Y-o-Y to AED 2,869 billion, with Quasi-Monetary Deposits rising by 23.8% Y-o-Y, representing 62.6% of M2. M3 expanded by 17.7% Y-o-Y, reaching AED 3,407 billion, thanks to a 17.9% Y-o-Y increase in Government Deposits, representing 15.8% of M3.

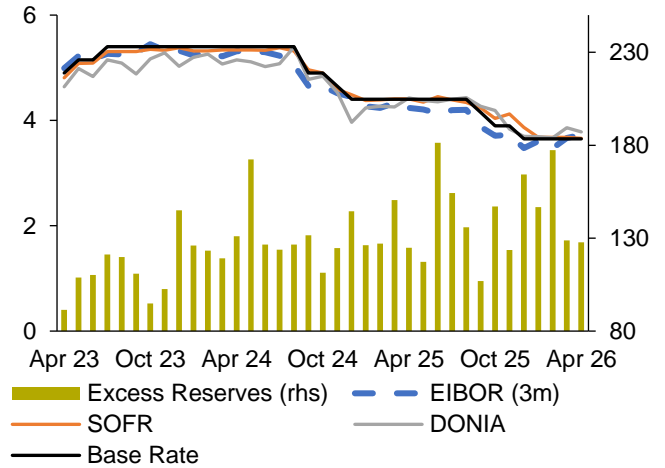
Interest Rates

In line with the US Federal Reserve’s monetary policy, the CBUAE maintained its key policy rate (Base Rate) in Q1 2026 and through April at 3.65%, following the decision by the FOMC to leave rates unchanged during the period. Overnight interest rates remained in line with the Base Rate, with the Dirham Overnight Index Average (DONIA) averaging 5 basis points above the Base Rate. 3-month EIBOR, a key benchmark for floating rate loans and derivatives, declined in quarterly average terms. However, it drifted higher towards the end of the quarter due to geopolitical risks.

Banks’ Aggregate Balance was AED 400 billion at the end of Q1, indicating abundant system-wide liquidity despite geopolitical events. This was down AED 27.0 billion from Q4 2025, primarily driven by movements of Net Foreign Asset of AED 44.8 billion and AED 20.1 billion increase in Currency-in-Circulation. This was partly offset by Monetary Operations (AED 39.8 billion) and a decrease in the State Account Balance (AED 5.7 billion) adding to the Aggregate Balance.

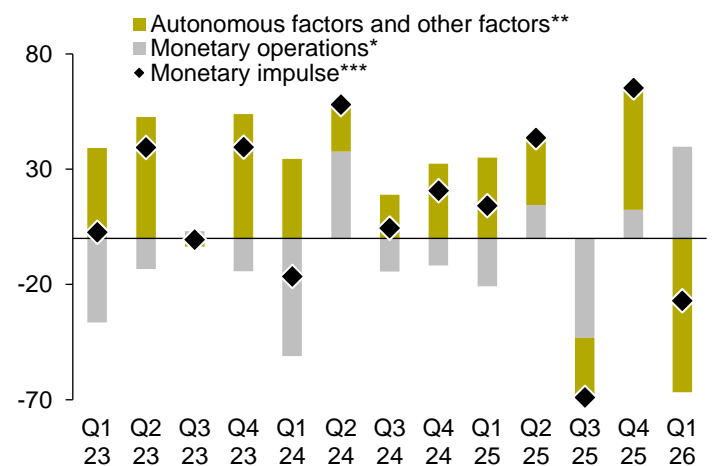
M-Bill yields increased along the curve from Q4 2025 to Q1 2026, in line with movements in US Treasury Bill yields. This was consistent with a reduced probability of near-term reductions in interest rates from the FOMC due to the risk of higher inflation. In line with continued uncertainty, the M-Bill yield curve remained elevated across tenors at the end of April. Outstanding M-Bills volumes were AED 236.4 billion at the end of March, compared to AED 242.3 billion at the end of December. This followed the maturity of a large M-Bill in February. Outstanding Islamic Certificates of Deposit were AED 46.5 billion at the end of Q1 2026 (from AED 50.1 billion in Q4 2025).

Figure 3.1. UAE Rates (%) and Excess Reserves in the Banking System (AED billion)



Source: Bloomberg, CBUAE.

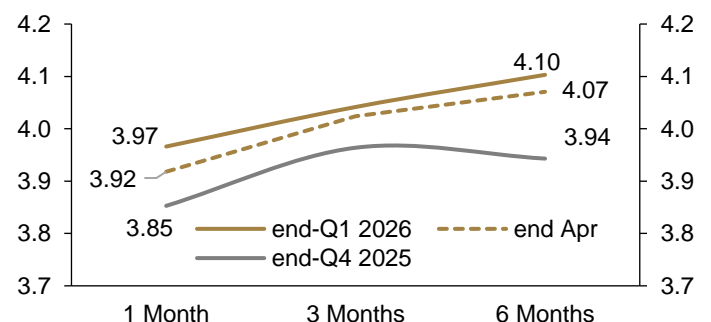
Figure 3.2 Monetary Impulse (AED billion)



Source: CBUAE.

Note: */ 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

Banking system's total assets grew by 17.7% Y-o-Y, while banks' lending portfolio grew by 20.3% Y-o-Y

Favourable funding and liquidity conditions were backed by robust deposit growth of 17.4% Y-o-Y

Further improvement in the asset quality ratios, driven by a decline in the stock of NPLs

Banking System Assets and Structure

The total assets of the UAE banking system rose by 17.7% Y-o-Y to AED 5,556 billion by the end of Q1 2026, surpassing AED 5.5 trillion. The UAE banking sector included 61 banks, comprising 23 UAE national banks and 38 branches of foreign banks operating in the country.

Banking System Credit and Deposits

The UAE banks' loan portfolio grew by 20.3% Y-o-Y, reflecting the UAE's favourable economic environment and funding conditions during Q1 2026. The main drivers in the UAE banks' domestic loan portfolio were broad-based across core banking segments, including retail, corporate, government, government-related entity (GRE) and trade bills.

The UAE banks maintained robust deposit growth of 17.4% Y-o-Y, contributing to sustained funding conditions and their strong lending capacity. The main drivers of banks' annual growth in resident deposits were private corporate, retail, and GRE deposits.

Financial Soundness Indicators

The capital ratios for the UAE banking system remained well above the minimum requirements, although they edged slightly lower. The Capital Adequacy Ratio (CAR) moderated to 16.8% and the CET-1 ratio to 14.3%. The moderation in the capital ratios was primarily driven by higher loan growth, leading to higher growth in risk-weighted assets relative to capital growth.

The UAE banking system's funding and liquidity remained favourable, supported by strong deposit growth in Q1 2026. The loan-to-deposit ratio remains well below the 5-year average, indicating ample capacity in the banking system.

The Net NPL ratio improved to 1.5%, while the overall NPL ratio improved to 3.2%. The reduction in the non-performing loan ratios was driven by a decline in the stock of NPLs by 10.7% year-on-year and an increase in total loans.

Financial Institution Resilience Package

Regional developments did not materially affect the banking system's growth momentum and core indicators during Q1 2026. The CBUAE announced in March 2026 a proactive Financial Institution Resilience Package aimed at enhancing the resilience of financial institutions.

Table 3.1 Assets and Credit (AED billion)

	Q1 2025	Q2 2025	Q3 2025	Q4 2025	Q1 2026
Total Assets	4,719	4,973	5,200	5,340	5,556
(Y-o-Y change)	10.9%	15.4%	18.1%	17.1%	17.7%
Gross Credit	2,240	2,334	2,479	2,570	2,696
(Y-o-Y change)	9.4%	11.1%	14.7%	17.9%	20.3%
Domestic Credit	1,869	1,911	2,012	2,049	2,138
(Y-o-Y change)	5.2%	5.2%	8.2%	11.2%	14.4%
Foreign Credit	371	424	467	521	557
(Y-o-Y change)	37.3%	48.9%	54.5%	56.7%	50.1%

Source: CBUAE.

Note: Data as end of the period.

Table 3.2 Total Deposits (AED billion)

	Q1 2025	Q2 2025	Q3 2025	Q4 2025	Q1 2026
Bank Deposits	2,936	3,046	3,186	3,305	3,446
(Y-o-Y change)	10.5%	13.1%	15.4%	16.1%	17.4%
Resident Deposits	2,688	2,789	2,891	3,008	3,139
(Y-o-Y change)	10.3%	12.9%	13.5%	15.5%	16.8%
Non-Resident Deposits	249	257	295	298	307
(Y-o-Y change)	12.5%	16.0%	38.0%	22.4%	23.6%

Source: CBUAE

Note: Data as of end of period.

Table 3.3 UAE Financial Soundness Indicators

	Q1 2025	Q2 2025	Q3 2025	Q4 2025	Q1 2026
Capital Adequacy					
Capital Adequacy Ratio	17.6%	17.3%	17.4%	17.0%	16.8%
Tier 1 Capital Ratio	16.2%	16.0%	16.2%	15.8%	15.7%
Common Equity Tier 1 Ratio	14.7%	14.6%	14.8%	14.4%	14.3%
Liquidity and Funding					
Advances to Stable Resources Ratio	72.8%	73.8%	75.1%	73.8%	75.7%
Loan-to-deposit Ratio	76.3%	76.6%	77.8%	77.7%	78.2%
Eligible Liquid Assets Ratio	21.4%	20.6%	19.0%	20.1%	18.8%
Asset Quality					
Net Non-Performing Loans Ratio	1.8%	1.7%	1.6%	1.6%	1.5%
Non-Performing Loans Ratio	4.3%	3.9%	3.6%	3.3%	3.2%

Source: CBUAE

Note: Data as of the end of the period.

III.3. Insurance Developments

In Q1 2026, gross written premiums, number of insurance policies and gross paid claims increased by 15.1%, 9.5% and 14.5%, respectively

Total technical provisions and total equity showed an increase of 7.9% and 15.8%, respectively, in Q1 2026

The insurance sector remained well capitalised in Q1 2026, with healthy capital adequacy and return on average assets

Insurance Sector Structure and Activity

The insurance sector continued to grow in Q1 2026 in terms of written premiums, technical provisions, claims paid and equity. The sector remained healthy, with robust capital adequacy ratios and return on assets.

The number of licensed insurance companies stood at 58, consisting of 22 traditional national, 10 takaful national companies, and 26 branches of foreign insurance companies operating in the country.³ The total number of insurance-related professions increased to 518.

Key Performance Indicators

The Gross Written Premiums increased by 15.1% Y-o-Y to AED 27.5 billion in Q1 2026, driven primarily by growth in property and liability insurance premiums by 11.1% Y-o-Y to AED 10.0 billion, health insurance premiums by 15.5% Y-o-Y to AED 14.9 billion, and insurance of persons and fund accumulation premiums by 30.0% Y-o-Y to AED 2.6 billion in the first quarter of 2026.

Gross paid claims of all types of insurance plans increased by 14.5% Y-o-Y to AED 12.6 billion in Q1 2026, comprising property and liability insurance claims to AED 4.6 billion, health insurance claims to AED 6.8 billion, and insurance of persons and fund accumulation claims to AED 1.2 billion.

In Q1 2026, the total technical provisions⁴ increased by 7.9% Y-o-Y to AED 103.0 billion. The volume of invested assets in insurance rose to AED 96.4 billion (55.1% of total assets) compared to AED 82.0 billion (57.7% of total assets) during the same period in 2025. The retention ratio of written insurance premiums was 53.9% (AED 14.8 billion) in Q1 2026, compared to 50.8% (AED 12.1 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 funds⁵ to Minimum Capital Requirement ratio increased to 516.1% in Q1 2026, up from 393.2% in Q1 2025, driven by higher own funds eligible to meet minimum capital requirements. While the own funds to Solvency Capital Requirement ratio reached 187.2% in Q1 2026, compared to 204.1% in Q1 2025. Similarly, the own funds to Minimum Guarantee Fund ratio reached 269.1% in Q1 2026, from 294.7% a year earlier.

In terms of profitability, the net total profit to net written premiums ratio increased to 8.7% in Q1 2026. The return on average assets ratio remains 0.8% in Q1 2026.

Table 3.4 Key Indicators of the Insurance Sector (AED billions)

	2025*				2026*
	Q1	H1 (Q1+Q2)	Q1-Q3 (Q1+Q2+Q3)	Full Year	Q1
1- Gross Written Premiums	23.9	40.9	57.8	75.2	27.5
• Property & Liability	9.0	16.3	24.0	31.4	10.0
• Health Insurance	12.9	20.7	27.8	35.5	14.9
• Persons and Fund Accumulation	2.0	4.0	6.0	8.3	2.6
2- Gross Claims Paid	11.0	21.5	32.3	46.2	12.6
• Property & Liability	4.5	8.0	11.7	16.4	4.6
• Health Insurance	6.0	12.3	18.9	27.4	6.8
• Persons and Fund Accumulation	0.5	1.2	1.7	2.4	1.2
3- Technical Provisions	95.5	100.1	99.4	99.2	103.0
4- Total Invested Assets	82.0	84.4	86.4	88.4	96.4
5- Total Assets	142.1	147.4	149.2	166.7	174.8
6- Total Equity	31.1	31.4	32.4	32.8	36.0

Source: CBUAE

Notes: * Preliminary data, accumulative at end of period.

Table 3.5 Insurance Soundness Indicators (%)

	2025*				2026*
	Q1	Q2	Q3	Q4	Q1
1- Reinsurance ratio					
Retention ratio	50.8	52.5	51.9	56.6	53.9
2- Capital Adequacy Ratios					
Own funds to Minimum Capital Requirement (MCR)	393.2	423.4	434.9	423.3	516.1
Own Funds to Solvency Capital Requirement (SCR)	204.1	229.5	241.7	256.9	187.2
Own Funds to Minimum Guarantee Fund (MGF)	294.7	328.9	331.9	336.8	269.1
3- Earnings Ratios					
Net total profit to net written premiums	7.3	10.5	11.6	7.2	8.7
Return on average assets	0.8	0.9	0.9	0.5	0.8

Source: CBUAE

Notes: * Estimated data.

³ One foreign company practices reinsurance only.

⁴ 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.

⁵ 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

At the end of Q1 2026, share prices rose by 6.6% Y-o-Y in Dubai and by 1.6% Y-o-Y in Abu Dhabi

In Q1 2026, CDS spreads remained at comparatively low levels, averaging 35.7 bps for Abu Dhabi and 57.6 bps for Dubai in Q1 2026

The CBUAE Credit Sentiment Survey in Q1 2026 remains solid, with business credit demand supported by working capital needs and investment activity

Equity Markets

The Abu Dhabi Securities Market General Index (ADX) rose by 1.6% Y-o-Y in Q1 2026. Market capitalisation closed at AED 2.8 trillion.

The Dubai Financial Market (DFM) General Index rose by 6.6% Y-o-Y in Q1 2026. Market capitalisation ended the quarter at AED 0.9 trillion.

Ongoing investment from institutional and international players highlights deep confidence in the platform and the long-term vision for the UAE's capital markets.

Credit Default Swaps (CDS)

The CDS spreads for the government of Abu Dhabi rose from 28.7 bps in Q4 2025 to 35.7 bps in Q1 2026. Abu Dhabi's CDS levels remain very low, reflecting its low-risk economic profile, strong fiscal position, and substantial buffers held by sovereign wealth funds. Abu Dhabi continues to maintain one of the lowest CDS premiums in the Middle East and Africa region. Dubai's CDS also rose from 50.6 bps in Q4 2025 to 57.6 bps in Q1 2026 and remains at comparatively low levels.

The CBUAE Credit Sentiment Survey

Credit conditions softened during the first quarter. While there was a slight increase in demand for business loans, demand for personal loans remained flat. Business credit demand was supported by working capital needs and investment activity, while personal loan demand was influenced by more cautious economic conditions and seasonal factors. Lending appetite softened in both household and corporate lending segments amid a more cautious near-term outlook and lower risk appetite among financial institutions. Looking ahead, credit conditions are expected to remain relatively subdued over the next quarter.

Table 3.6 UAE Equity Markets (End-of-period values)

Abu Dhabi						
		Q1 2025	Q2 2025	Q3 2025	Q4 2025	Q1 2026
Share Price Index	Point	9,369	9,958	10,015	9,993	9,521
	%, Y-o-Y	1.5%	9.9%	6.3%	6.1%	1.6%
Market Capitalisation	AED bn	2,932	3,094	3,110	3,140	2,767
	%, Y-o-Y	3.1%	10.6%	6.0%	4.6%	-5.6%
Traded Value	AED bn	83	96	80	126	89
	%, Y-o-Y	23.9%	59.7%	3.8%	67.7%	7.7%
Dubai						
		Q1 2025	Q2 2025	Q3 2025	Q4 2025	Q1 2026
Share Price Index	Point	5,096	5,706	5,840	6,047	5,434
	%, Y-o-Y	20.0%	41.6%	29.7%	17.2%	6.6%
Market Capitalisation	AED bn	896	979	978	975	882
	%, Y-o-Y	22.9%	44.3%	29.4%	7.6%	-1.6%
Traded Value	AED bn	40	43	43	37	59
	%, Y-o-Y	64.9%	99.1%	76.0%	11.9%	47.7%

Source: Capital Market Authority

Table 3.7 UAE – Sovereign Credit Default Swaps (Quarterly averages, bps)

	2025				2026
	Q1	Q2	Q3	Q4	Q1
Abu Dhabi	39.3	39.4	30.1	28.7	35.7
Dubai	59.3	58.4	55.0	50.6	57.6

Source: Bloomberg

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