



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

September | 2024

Quarterly Economic Review

www.centralbank.ae

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List of Abbreviations

<i>AED</i>	<i>United Arab Emirates Dirham</i>
<i>AEs</i>	<i>Advanced Economies</i>
<i>BoE</i>	<i>Bank of England</i>
<i>CBUAE</i>	<i>Central Bank of the UAE</i>
<i>CDs</i>	<i>Certificates of Deposit</i>
<i>CPI</i>	<i>Consumer Price Index</i>
<i>DONIA</i>	<i>Dirham Overnight Index Average</i>
<i>DSC</i>	<i>Dubai Statistics Center</i>
<i>ECB</i>	<i>European Central Bank</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>GREs</i>	<i>Government Related Entities</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>M-o-M</i>	<i>Month-on-Month</i>
<i>MENA</i>	<i>Middle East and North Africa</i>
<i>MGF</i>	<i>Minimum Guarantee Fund</i>
<i>NEER</i>	<i>Nominal Effective Exchange Rate</i>
<i>NBFI</i>	<i>Non-Banking Financial Institutions</i>
<i>OPEC</i>	<i>Organization of Petroleum Exporting Countries</i>
<i>PMI</i>	<i>Purchasing Managers' Index</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>Y-o-Y</i>	<i>Year-on-Year</i>

Executive Summary

The global economic outlook remains uncertain. The IMF revised its US GDP growth forecast downward to 2.6% in 2024, with further deceleration to 1.9% expected in 2025 as the labor market cools and consumer spending moderates. Conversely, growth in emerging markets and developing economies were revised slightly upward to 4.3% for both 2024 and 2025, mainly driven by a rebound in private consumption and strong exports, although investment remains constrained.

Global inflation is starting to moderate due to the combined effects of restrictive monetary policies implemented in 2022 and 2023, softening labor markets, and significant disinflation in goods prices. These signals prompted central banks in the US and other advanced economies to begin an easing cycle, marking a shift from the high interest rate policies of recent years. However, the dichotomy between inflationary pressures from persistently elevated transportation and shelter costs on one hand, and the growing risk of further labor market weakening in advanced economies on the other hand, will shape future interest rate cut schedules. The interest rate differential between the US and other advanced economies could impact USD and Dirham strength, influenced by how aligned rate cuts are across central banks. If the FED reduces rates more aggressively than others, like the ECB, the dollar—and consequently the Dirham—could weaken. This would enhance the UAE's trade competitiveness by making non-oil exports cheaper in real terms, potentially boosting export performance. However, the resulting imported inflation, in addition to other domestic drivers of inflation, are to be carefully monitored.

The UAE's ongoing efforts to diversify its economy and to strengthen ties with key trading partners has led to a record AED 669.9 billion in non-oil foreign trade in Q1 2024, equivalent to 141% of GDP. This strong performance, driven by a series of comprehensive economic partnership agreements, is expected to continue through 2024 and 2025, supporting real GDP growth projections of 4% in 2024 and an acceleration to 6.1% in 2025. While OPEC+ decisions on production quotas amid global uncertainties will influence overall growth, the non-hydrocarbon sector remains robust, with forecasted growth of 5.2% in 2024 and 5.3% in 2025.

In the Abu Dhabi real estate sector, sales transactions in January-June 2024 increased by 2.3% Y-o-Y, while apartment sales price index and villa sales price index in Q2 2024 increased by 6.2% and 3.9% Y-o-Y, respectively. In Dubai, the market demonstrated growing activity, with residential sales transactions in the first half of 2024 growing up 34.8% Y-o-Y, and apartment sales price index and villa sales price index in Q2 2024 climbing by 14.3% and 25.3% Y-o-Y, respectively. The transportation and tourism sectors have shown strong performance, with tourist arrivals up by 14.2% in the first half of 2024. Passenger traffic at Abu Dhabi and Dubai International Airports also surged, increasing by 33.8% and 8% Y-o-Y, respectively.

In light of global and domestic factors including commodity prices, wages, and rents, the CBUAE revised its inflation forecast for the UAE from 2.3% to 2.2% for 2024. Should disinflationary trends in food, beverages, and major non-tradable components persist, inflation forecasts may be further revised downward. For 2025, inflation is also projected at 2.2%, primarily influenced by non-tradable components and exchange rate behavior of the US dollar.

In line with the US Federal Reserve's Interest Rate on Reserve Balances (IORB), the CBUAE reduced its key policy rate (Base Rate) to 4.9% in September 2024. The Dirham Overnight Interest Average (DONIA) rate remains around 30 basis points below the Base Rate, reflecting sustained excess reserves. The banking sector's robust 13% Y-o-Y deposit growth in Q2 2024 further supported favorable funding and liquidity conditions. Loan portfolios also continued to expand, growing 8% Y-o-Y at the end of Q2 2024, driven by increased retail and private corporate loans. The UAE banking system remains resilient, underpinned by adequate capital and liquidity buffers.

In Q2 2024, Dubai Financial Market's share price index rose by 11.5% Y-o-Y, while the Abu Dhabi Securities Market General Index, declined by 6.1% Y-o-Y due to a drop in the shares of major companies that account for 25% of the freely tradable market. CDS premiums for Abu Dhabi and Dubai remain low, reflecting the UAE's strong fiscal position, dynamic economy, and substantial sovereign wealth funds. The insurance sector saw robust growth, with gross written premiums increasing by 31.2% Y-o-Y and gross paid claims rising by 34.0% in the first half of 2024. Technical provisions grew by 22.8% Y-o-Y, and the sector maintained healthy capital adequacy and earnings ratios, reflecting its strong capitalization.

Chapter 1

International Economic Developments and UAE External Sector



1.1. Global Economic Outlook

Global economic growth is expected to remain steady at 3.2% in 2024 and 3.3% in 2025

Growth in advanced economies is projected to remain stable at 1.7% in 2024 and 1.8% in 2025

Growth in emerging markets is projected to reach 4.3% in 2024, while the GCC's growth is forecasted to recover notably to 2.4% in 2024

Global Economy

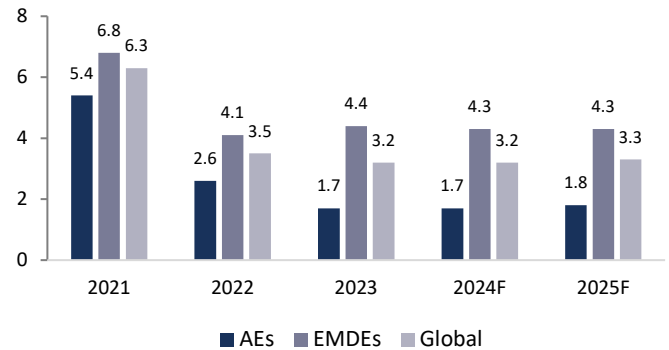
The International Monetary Fund (IMF) maintained its global growth estimate for 2024 at 3.2% in its July 2024 World Economic Outlook (WEO) Update, and slightly revised its forecasts for 2025 from 3.2% to 3.3%. Nonetheless, the projected global growth remains below the historical average of 3.8% between 2000 and 2009, reflecting a challenging global economic landscape. This subdued outlook is attributed to the delayed impact of monetary tightening, resumed fiscal consolidation, and moderate consumption growth as savings buffers deplete and labor market weakens. Additionally, the global economic outlook is subject to various downside risks, including high policy uncertainty due to elections in many countries this year, and heightened geopolitical tensions.

Advanced Economies

For advanced economies, the IMF forecasts stable economic growth of 1.7% in 2024 (similar to 2023), and a slight acceleration to 1.8% in 2025. The projected economic growth for 2024 in the United States (US) has been revised downward to 1.9%; slower than anticipated at the beginning of the year. The US growth is expected to further decelerate notably to 1.9% in 2025 as the labour market cools and consumer spending moderates. Indeed, the recent softening in high-frequency indicators (such as job openings, payrolls data, continuing jobless claims, etc.) points to a broader slowdown in consumer spending, combined with moderating household income growth and diminishing savings. The current high real borrowing rates could also reduce consumer spending on durable goods and residential investments. Furthermore, the gradual tightening of fiscal policy and the accumulated effects of past monetary tightening are expected to contribute to the economic deceleration in 2025.

Growth in the Euro area is expected to rebound from its low 2023 rate of 0.5% to 0.9% in 2024 and further to 1.5% in 2025. This recovery is likely to be driven by sustained consumption, resulting from rising real wages, and increased investment due to easing financing conditions amid gradual monetary policy loosening. In the United Kingdom, growth is projected to rise from 0.1% in 2023 to 0.7% in 2024, driven by disinflation boosting real income, and further accelerate to 1.5% in 2025 as financial conditions improve and monetary policy begins easing. In Japan, economic growth is projected to slow down to 0.7% in 2024, primarily due to a weak expansion in consumption and a deceleration in exports as auto production normalizes and tourism demand stabilizes. However, output is anticipated to grow at an average rate of 1.0% in 2025, driven by slight improvements in consumer spending supported by rising real wages and capital investment.

Figure 1.1 Global Real GDP Growth (%)



Source: International Monetary Fund, World Economic Outlook–July 2024.

Notes: F=forecast, AEs= Advanced Economies, EMDEs= Emerging Market and Developing Economies.

Table 1.1 Real GDP Growth in Advanced Economies (%)

	2022	2023	2024F	2025F	Q4 2024 (Y-o-Y)
Global	3.5	3.3	3.2	3.3	3.2
AEs	2.6	1.7	1.7	1.8	1.8
US	1.9	2.5	2.6	1.9	2.0
Euro Area	3.4	0.5	0.9	1.5	1.5
UK	4.3	0.1	0.7	1.5	1.5
Japan	1.0	1.9	0.7	1.0	1.6

Sources: International Monetary Fund, World Economic Outlook–July 2024; country authorities.

Notes: F=forecast, AEs=Advanced Economies.

Emerging Markets and GCC

Growth in emerging markets and developing economies (EMDEs) was revised slightly upward by the IMF to 4.3% for both 2024 and 2025 from the previous estimate of 4.2%. This was due to stronger activity in Asia, particularly China and India. In many EMDEs, the anticipated growth is driven by improving domestic demand, bolstered by decreasing inflation and easing financial conditions. Additionally, a cyclical rebound in trade, stemming from stronger than expected demand from some advanced economies, contributes to this positive outlook.

Specifically, growth in emerging and developing Asia is projected to be around 5.4% in 2024 and 5.1% in 2025, slightly exceeding the April 2024 WEO forecast. For emerging and developing Europe, growth is projected at 3.2% in 2024 and easing to 2.6% in 2025. In Latin America and the Caribbean, growth is expected to weaken from 2.3% in 2023 to 1.9% in 2024, before recovering to 2.7% in 2025. This downward revision for 2024 is primarily attributed to decreased regional exports and a deteriorating short-term outlook for Argentina, and reflects the near-term impact of flooding in Brazil.

Forecasted growth in China has been revised upwards from 4.6% to 5.0% for 2024, and from 4.1% to 4.5% for 2025. The upward revision is primarily driven by a rebound in private consumption and robust exports. However, overall investment growth has remained subdued, with solid infrastructure and manufacturing investment offset by declining real estate investment due to the ongoing property sector slowdown. To address declining property-related bank lending, the government introduced a scheme to facilitate liquidity provision to real estate developers, aiming to support the completion of viable property projects and boost confidence in the sector. The growth forecast for India is revised upward to 7.0% for this year and reach 6.5% in 2025. This change reflects a combination of carryover effects from upward revisions to 2023 growth figures and improved prospects for private consumption, particularly in rural areas.

Economic growth in the GCC region is expected to significantly increase from 0.4% in 2023 to 2.4% in 2024, despite the contraction in oil production and exports. As per the latest IMF forecasts, the stronger growth in non-oil activities is supported by both private consumption and business investment, and a particular increase in tourism. Additionally, increased gross capital inflows and the implementation of structural reforms aimed at diversifying the economy are further contributing to this positive momentum. These reforms include initiatives to develop infrastructure, and encourage foreign investment, ultimately fostering a more resilient and sustainable economic landscape.

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

	2022	2023	2024F	2025F	Q4 2024 (Y-o-Y)
EMDEs	4.1	4.4	4.3	4.3	4.3
Brazil	3.0	2.9	2.1	2.4	2.9
China	3.0	5.2	5.0	4.5	4.6
India	7.0	8.2	7.0	6.5	6.5

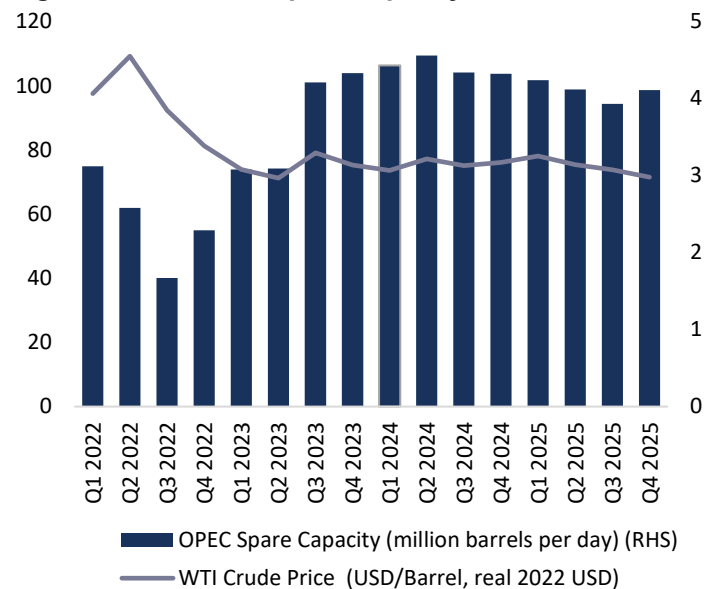
Source: International Monetary Fund, World Economic Outlook-July 2024.
Notes: F=forecast, EMDEs=Emerging Market and Developing Economies.

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

	2022	2023	2024F	2025F
GCC	7.0	0.4	2.4	4.9
UAE*	7.5	3.6	4.0	6.0
Saudi Arabia	8.7	-0.8	2.6	6.0
Qatar	4.9	1.3	1.8	1.8
Kuwait	8.9	-2.2	-1.4	3.8
Oman	4.3	1.3	1.2	3.1
Bahrain	4.9	2.6	3.6	3.2

Sources: International Monetary Fund, World Economic Outlook-July 2024, Regional Economic Outlook-April; International Monetary Fund.
Notes: F=forecast. *Federal Competitiveness and Statistics Centre for 2022-23 and CBUAE for 2024-25. The growth rate for the GCC is calculated as a weighted average of the member countries.

Figure 1.2 OPEC Oil Spare Capacity and Oil Prices



Source: US Energy Information Administration.

I.2. Inflation and Monetary Policy Responses

Global inflation is projected to decline from 6.7% in 2023 to 5.9% in 2024

Inflation is declining in most regions, due to lower energy and goods prices

Several central banks have begun to cut interest rates in response to declining inflation rates.

Global inflation

Global inflation is showing signs of moderation. According to the IMF's July 2024 WEO, global inflation is projected to fall from 6.7% in 2023 to 5.9% in 2024 and 4.4% in 2025. This decline is mainly driven by the accumulated impact of restrictive monetary policies since 2022, softening labour markets, and stronger disinflation in the prices of goods.

Advanced Economies' inflation

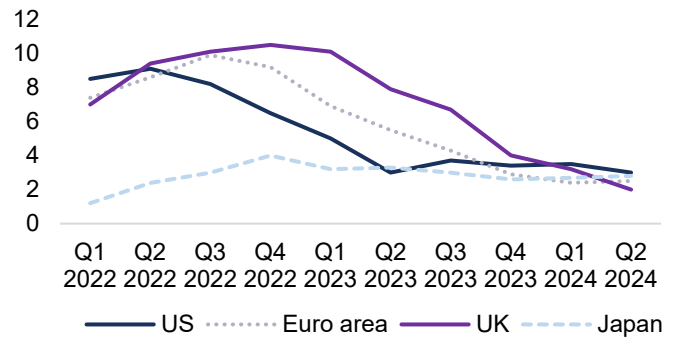
In the US, headline inflation rapidly declined to 2.5% Y-o-Y in August 2024, driven mainly by transportation and shelter costs. In September 2024, the US Federal Reserve (FED) cut the rate by 50 bps to 4.75%-5%, citing increased confidence that inflation is moving sustainably toward its 2% target. The FED also noted that the risks to achieving its employment and inflation goals are now more balanced, reflecting the easing of inflationary pressures and a softening job market.

The annual inflation rate in the Euro area increased to 2.6% Y-o-Y in July 2024 from 2.4% Y-o-Y in March 2024, reflecting moderate increases in both energy and industrial goods prices. August 2024 saw a decline to 2.2% Y-o-Y, driven by a sharp deceleration in energy prices. The European Central Bank (ECB) applied a 60 bps cut to its fixed rate declining to 3.65%, based on economic conditions and inflation approaching the 2.0% target.

The UK's annual inflation rate dropped sharply to 2.0% Y-o-Y in June 2024, down from 3.2% in March 2024, mainly driven by falling gas and electricity prices. In August 2024, inflation edged up slightly to 2.2% Y-o-Y, largely due to a sharp rise in airfares. The Bank of England kept the Bank Rate unchanged at 5% in its September 2024 meeting, following a 25 bps cut in August, as it cautiously moved towards loosening monetary policy.

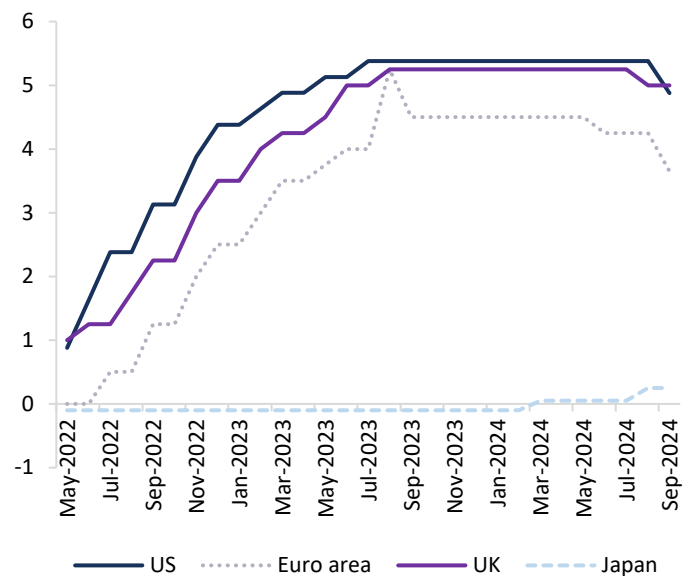
In September 2024, the Bank of Japan (BoJ) maintained its policy rate of 0.25%. However, consumer prices increased by 3.0% Y-o-Y in August compared to the 2.8% Y-o-Y rise in July. This recent uptick was primarily driven by price increases in food and household durable goods during the month.

Figure 1.3 Average 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' inflation

In China, inflation continues to rise, with the annual rate increasing to 0.6% Y-o-Y in August 2024 from 0.1% in March 2024 and 0.5% in July 2024. In July, The People's Bank of China (PBoC) surprised markets by cutting its benchmark lending rate to 3.35% from 3.45% to boost business and consumer confidence amid lagging growth.

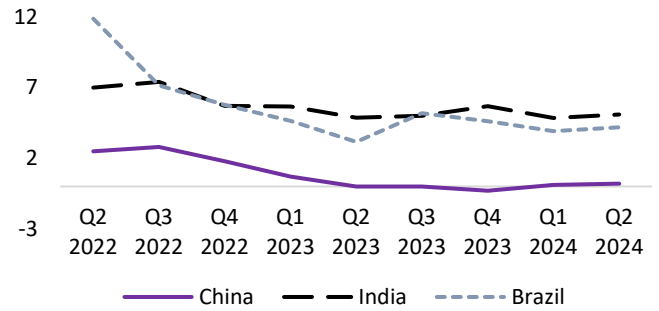
In August 2024, India's annual inflation eased sharply to 3.7% Y-o-Y compared to the 4.9% in March 2024 but slightly higher than the 3.5% in July 2024. Easing inflation is mainly attributable to the pick-up in the southwest monsoon and healthy progress of sowing, leading to a reduction in food prices. In the July 2024 monetary policy meeting, the Reserve Bank of India (RBI) kept its benchmark policy repo rate unchanged at 6.5%.

The annual inflation rate in Brazil was 4.3% in August of 2024, declining marginally from the 4.5% increase in the prior month, and largely in line with market expectations of 4.5%. In May, the Central Bank of Brazil cut its benchmark rate by another 25 bps to 10.50% after six reductions twice that size. In its July meeting, the central bank kept its benchmark rate unchanged due to concerns about the inflation outlook.

Saudi Arabia's inflation rate stabilized at 1.6% Y-o-Y in August 2024 from 1.5% in July 2024. The annual inflation rate in Qatar reduced significantly to 1.2% Y-o-Y in August 2024 from 2.5% in March 2024 but was higher than July's reported number of 0.2%. Kuwait's inflation fell below 3% for the first time in nearly three years with the CPI inflation dropping to 2.8% Y-o-Y in June 2024, the slowest pace since November 2020. However, it rose back up to 3.0% in August 2024. Oman's inflation rate increased notably to 1.1% Y-o-Y in August 2024 from 0.2% in March 2024. The main upward pressure came from the faster rise in prices for food & non-alcoholic beverages and housing & utilities. Bahrain fell to 1.1% in August 2024, down from 1.4% in July, driven by deflating prices for transport and a slowdown in food & non-alcoholic beverages prices.

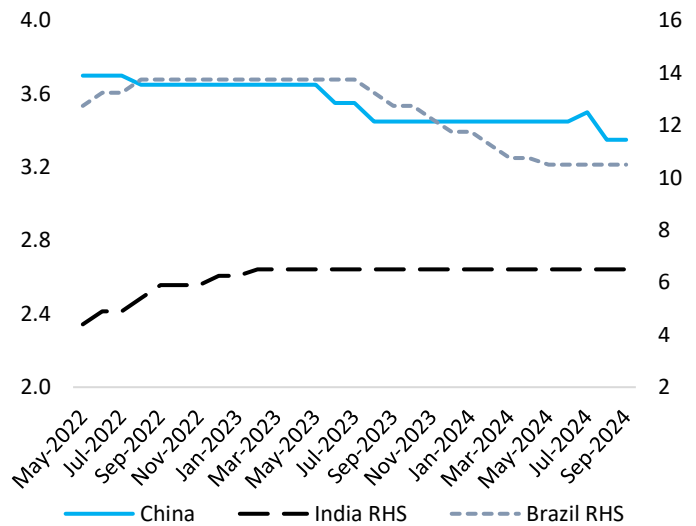
In September 2024, the central banks of the GCC economies, whose currencies are pegged to the USD, cut their policy rates in alignment with the US Federal Reserve's rate reduction. The central banks of Saudi Arabia, the UAE, Oman, and Bahrain each matched the 50 bps cut, while Qatar reduced its rates by 55 bps. Kuwait, whose currency is pegged to an undisclosed basket of currencies, opted for a smaller cut of 25 bps.

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



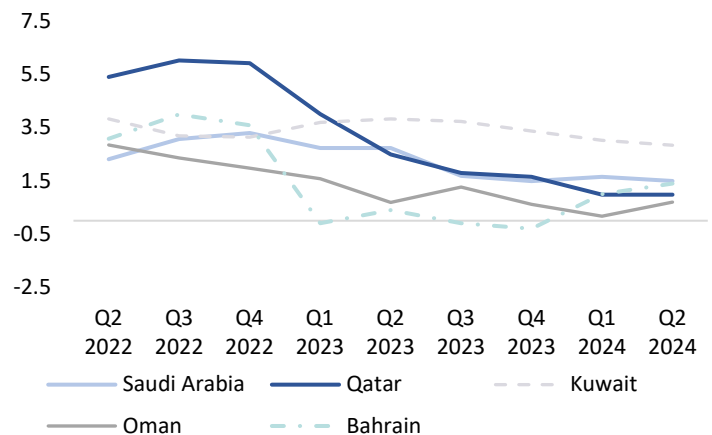
Sources: Bloomberg, Global Source Partners.

Figure 1.6 Policy Rates in Selected Emerging Economies (%)



Source: Bloomberg.

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



Sources: Bloomberg

I.3. Global Markets' Developments

Global financial conditions loosened with easing inflation and signs of potential rate cuts

Commodity markets experienced fluctuations due to supply constraints and geopolitical tensions

Growth in non-oil exports and imports of the UAE continued in 2024

Global Financial Conditions

Global financial conditions have generally loosened in September 2024, as central banks initiated policy easing. While fluctuations persist, the ongoing pace of monetary easing in the US and other advanced economies, coupled with global economic uncertainties, has led to periods of increased market volatility. This volatility has been particularly evident in emerging markets, where currencies have faced additional pressures due to the narrowing interest rate differentials with the US dollar.

In the US, financial conditions showed signs of easing in September 2024 compared to the previous quarter, driven largely by expectations of a looser monetary policy. With inflation moderating and labor market data softening, the FED's rate cut reinforced the shift toward a more accommodative monetary stance. By September, market expectations for a further reduction in policy rates by the end of the year had risen significantly, creating a more favourable financial environment, though some uncertainty in the economic outlook remains.

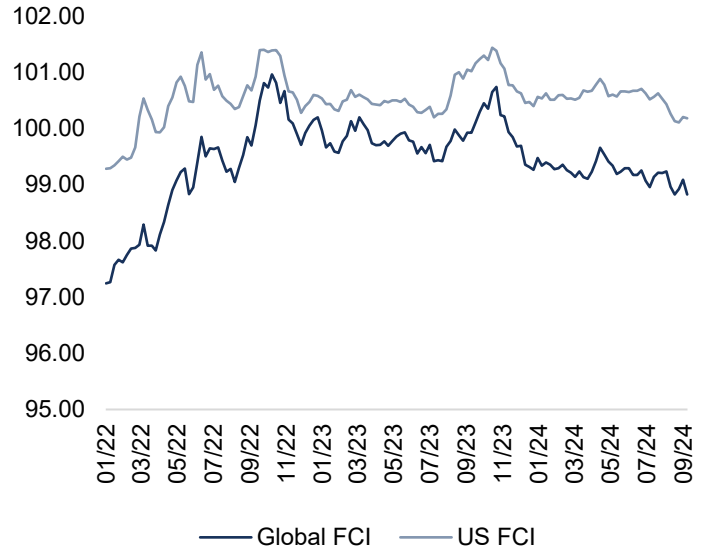
Overall, while global financial conditions have eased, they have not done so uniformly, with occasional periods of tightening. This uneven trend is influenced by the ongoing policy easing in advanced economies. While conditions have become less tight, the potential for increased volatility and currency pressures in emerging markets continues to present risks.

Commodities

Brent crude oil prices experienced fluctuations but remained elevated in recent months, averaging USD 85.3 per barrel in July before falling to USD 80.9 in August 2024. The initial increase in prices was driven by deeper supply deficits from ongoing OPEC+ production cuts and lingering geopolitical concerns. However, the prices dropped in August as weak economic data led to a cautious approach in the markets, despite geopolitical tensions. Meanwhile, natural gas prices have fluctuated moderately, with prices at USD 1.6 per MMBtu in April 2024, climbing to USD 2.5 in June, and declining to USD 2.0 per MMBtu in August 2024.

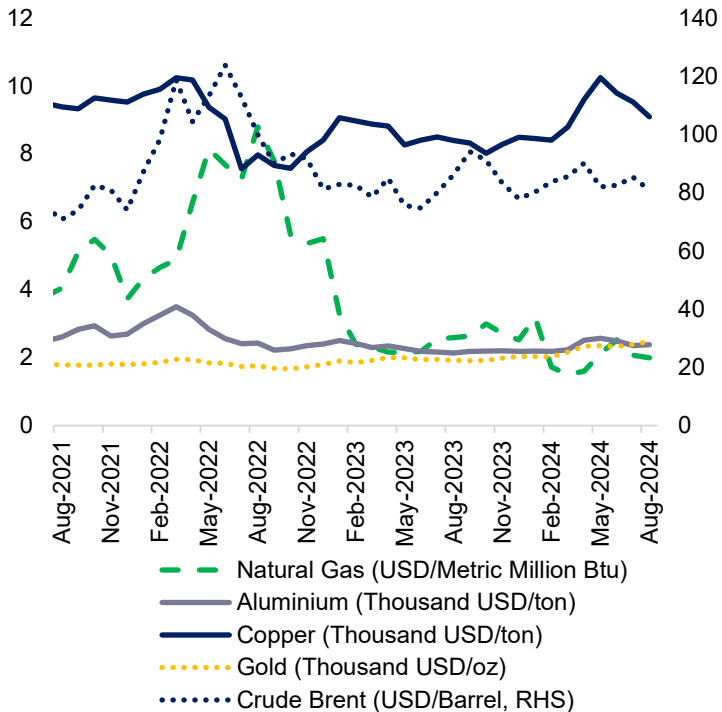
In the precious metals market, the price of gold has maintained an upward trajectory, supported by strong demand from China and ongoing geopolitical tensions. Gold prices attained an all-time high of above USD 2500 per ounce in August 2024, with a Y-o-Y increase of 28.9%. Copper and aluminum prices increased by 8.4% and 9.2% Y-o-Y, respectively, amidst tight supply conditions.

Figure 1.8 Financial Conditions Indices



Source: Goldman Sachs.

Figure 1.9 Commodity Prices



Sources: Bloomberg, US Energy Information Administration.

In August 2024, the FAO’s food price index fell by 1.1% Y-o-Y, mainly due to the global price decrease in cereals, sugar and meat which outweighed a rise in the prices of vegetable oil and dairy. Global food supply in Q2 2024 remained sensitive to disruptions caused by weather events, geopolitical conflicts, and policy changes, thereby affecting overall food price trends.

UAE’s International Trade

UAE’s total non-oil foreign trade of goods in Q1 2024 increased by 11.5% Y-o-Y, amounting to AED 669.9 billion or 141% of GDP.

Non-oil exports of the UAE increased substantially during the reporting period compared to the first quarter of the previous year, by 22.2%, reaching AED 122.9 billion, mainly driven by a significant increase in gold (34% Y-o-Y) and jewelry (101% Y-o-Y). According to data from the FCSC, Iraq emerged as the UAE’s major non-oil export partner with 15% of exports. India (11.7%) and Türkiye (8.9%) were the second and third top destinations for non-oil exports, respectively. Overall, the most exported non-oil goods were gold, accounting for 47.3% of total non-oil exports, followed by jewellery (5.9%) and cigarette products (4.4%).

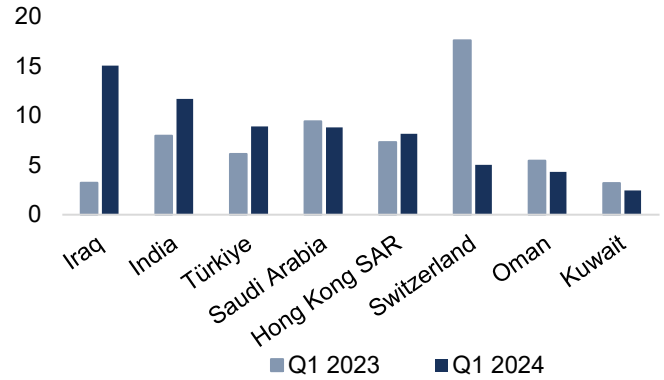
Re-exports slightly grew in the first quarter of 2024, by 1.0% Y-o-Y, amounting to AED 161 billion. Saudi Arabia, with a share of 12.4%, remained the top destination for UAE re-exports, followed by Iraq (10.9%), and India (7.3%). Telecommunications equipment with 19.3% dominated re-exports, followed by diamonds (10.7%) and motor vehicles (5.9%).

Imports rose significantly by 13.3% in the first three months of the current year compared to the same period of 2023, reaching AED 386 billion. The increase was supported by a dynamic non-hydrocarbon sector and a slight appreciation of the currency. China maintained its position as the main trading import partner, accounting for 18.5% of total imports, followed by India (7.5%), and the US (6.0%). With a share of 22.8%, gold was the leading imported good, while telecommunications equipment and motor vehicles were the second and the third most imported goods with a share of 9.7% and 6.2%, respectively.

Exchange rate

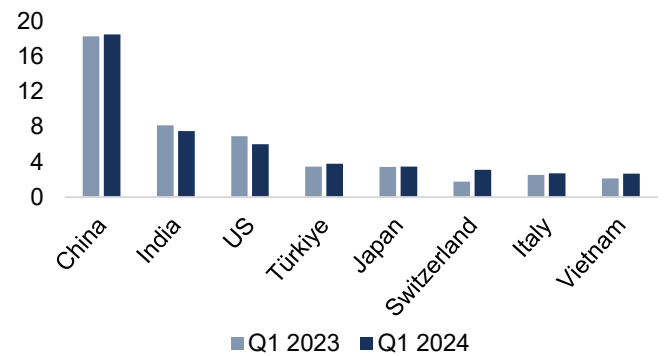
The nominal effective exchange rate (NEER), which considers bilateral exchange rates of the national currency against a weighted basket of UAE’s main trading partners, appreciated by 2.1% Y-o-Y in July 2024, up from 1.8% Y-o-Y a month earlier, due to the appreciation of the USD index. The real effective exchange rate (REER), which accounts for inflation differentials between the UAE and its trading partners, appreciated by 1.2% compared to a year ago. The lower REER appreciation reflects UAE’s lower inflation rate vis-à-vis its trading partners.

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



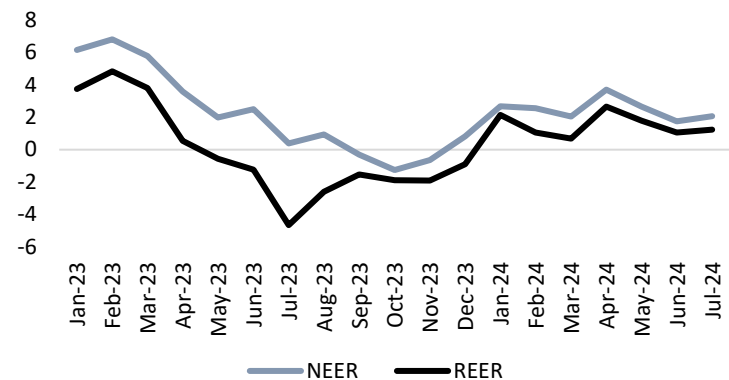
Source: Federal Competitiveness and Statistics Centre.

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



Source: Federal Competitiveness and Statistics Centre.

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



Source: Central Bank of the UAE.
* Increase means appreciation

Chapter 2

Domestic Economic Developments



II.1. Economic Growth

Real GDP decelerated to 3.4% Y-o-Y in Q1 2024, reflecting a softer non-hydrocarbon sector with improvements in the hydrocarbon GDP

Real GDP is projected to rebound to 4% in 2024 and further accelerate to 6% in 2025, from 3.6% growth in 2023

Non-hydrocarbon GDP growth is expected to remain robust in 2024 and 2025

Real GDP Outlook

In the first quarter of 2024, the UAE economy expanded by 3.4% Y-o-Y, below the 4.3% Y-o-Y growth registered in Q4 2023. The quarterly number resulted from accelerating hydrocarbon growth (which accounts for around 25% of GDP) and slightly lower performance of the non-hydrocarbon sector.

The CBUAE revised upwards its GDP growth projection for 2024 to 4% from 3.9% previously, reflecting the improved performance of the oil sector. Growth forecasts continue to be driven by tourism, transportation, financial and insurance services, construction and real estate, and communications sectors; while the current levels of oil production during 2024 partially moderate the overall growth. For 2025, growth is expected to increase to 6%, as momentum in the non-hydrocarbon sector is projected to continue, while hydrocarbon production is forecasted to pick up significantly.

There are some considerable risks surrounding the 2024 and 2025 forecasts. On the downside, we see risks from escalation of some of the current geopolitical tensions or eruption of new ones (including the Russia-Ukraine conflict, the war in Gaza, and the disturbances in the Red Sea); from a global economic deceleration resulting from the extensive period of high interest rates; and from potential further oil production cuts by OPEC+. The upside risks include a faster-than-expected reduction in interest rates in the major advanced economies, which would boost global demand and encourage capital inflows into emerging markets, including the UAE.

Non-Hydrocarbon GDP

Non-hydrocarbon GDP growth decelerated to 4% Y-o-Y in Q1 2024, down from 6.7% Y-o-Y in the previous quarter, mainly due to the slower growth in the financial and insurance services, real estate activities, construction and manufacturing. Non-hydrocarbon GDP growth is expected to remain strong at 5.2% in 2024 and 5.3% in 2025, resulting mainly from the strategic plans and policies that the government has undertaken to attract foreign investments and support the growth of activities with biggest contribution to the non-oil GDP and the ongoing structural reforms such as 100% ownership of foreign businesses, tax reforms, etc.

Hydrocarbon GDP

In the first eight months of 2024, oil production averaged 2.9 million barrels per day, marking a 1.8% decline compared to the same period a year ago, and is expected to remain at this level until the end of 2024. Gas production increased by 0.8% Y-o-Y in Q2 2024 offsetting the decline in oil production, following a 14.3% Y-o-Y growth in Q1.

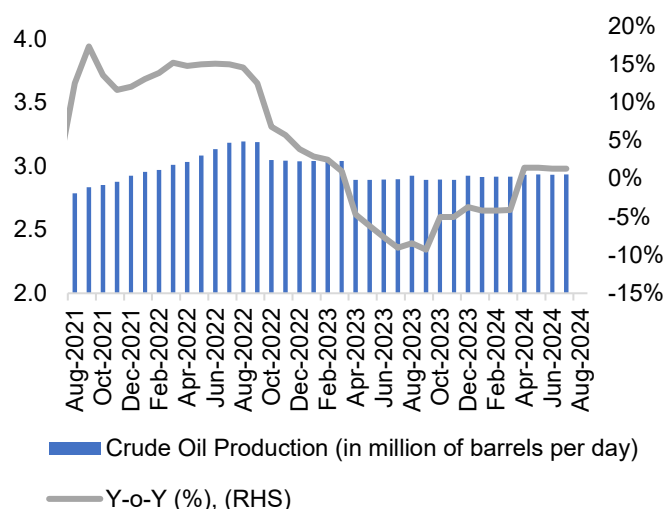
Table 2.1 Real GDP Growth in the UAE (%)

	2021	2022	2023	2024 F	2025 F
Overall GDP	4.4	7.5	3.6	4.0	6.0
Non-hydrocarbon GDP	6.5	7.1	6.2	5.2	5.3
Hydrocarbon GDP	-1.1	8.5	-3.1	0.7	7.7

Sources: Federal Competitiveness and Statistics Centre for 2021-23, CBUAE for 2024-25.

Note: F=forecast.

Figure 2.1 Average UAE Crude Oil Production



Source: Organization of Petroleum Exporting Countries.

Based on the historical performance Year-to-August in 2024 and the OPEC+ meeting decision on production in September 2024, the hydrocarbon sector is expected to grow by 0.7% in 2024 (3.3% growth in gas and non-oil hydrocarbons partially offset by a decline of 0.6% in the oil production), followed by further expansion by 7.7% in 2025.

Government Investment and Consumption

The fiscal balance for the first quarter of 2024 remained positive at AED 23.5 billion, representing 4.9% of GDP, compared to AED 23.2 billion or 5.1% of GDP in the first quarter of 2023.

Consolidated budget revenue in January-March 2024 increased by 4.3% Y-o-Y, reaching AED 120.6 billion, or 24.9% of GDP. This growth was primarily driven by a significant 32.5% Y-o-Y rise in tax revenues.

The UAE's fiscal conditions have become more stable, as evidenced by the growing share of tax revenue in total revenue, which rose from 45.8% in Q1 2022 to nearly 70% in Q1 2024. This shift is largely attributable to the recently introduced corporate tax.

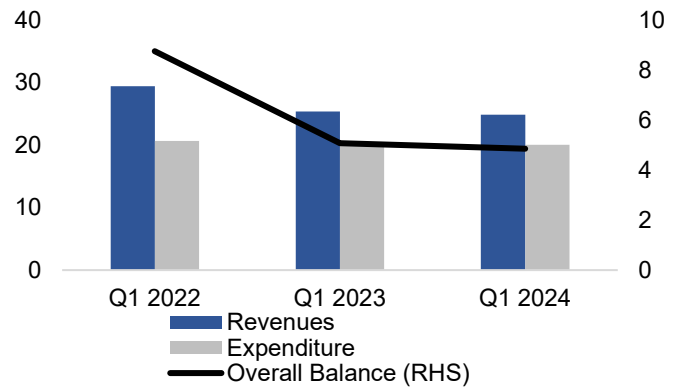
Government expenditure in the first quarter of 2024 totaled AED 97.1 billion, or 20% of GDP, reflecting a 5% year-on-year increase. Major expenditure categories, including compensation of employees (AED 30.3 billion), use of goods and services (AED 25.9 billion), and social benefits (AED 16.8 billion), rose by 6.3%, 15.2%, and 3.4% year-on-year, respectively. Additionally, capital expenditure saw a significant increase, more than sevenfold, reaching AED 5.6 billion.

Private Investment and Consumption

Indicators suggest an expansion in economic activity within the non-oil private sector. As of July 2024, the UAE's Purchasing Managers' Index (PMI) was reported at 53.7, driven by continued business optimism about economic prospects. This sentiment is influenced by expectations of ongoing demand and sales, which are anticipated to support steady output growth. Additionally, the anticipation of new initiatives and investments contributes to this outlook. In Dubai, the PMI was recorded at 52.9 in July 2024, closely aligning with the broader UAE index, indicating ongoing growth in the emirate's non-oil private sector.

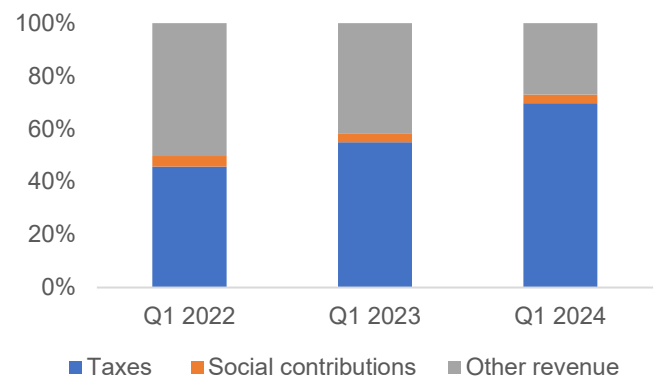
Number of employees covered by the CBUAE Wage Protection System (WPS)¹ remained almost flat Y-o-Y in June 2024, while average employee salary increased by 4.8% Y-o-Y². These positive readings for employment and wage growth point to robust domestic consumption and sustainable GDP growth going forward.

Figure 2.2 Consolidated Fiscal Balance (% of GDP)



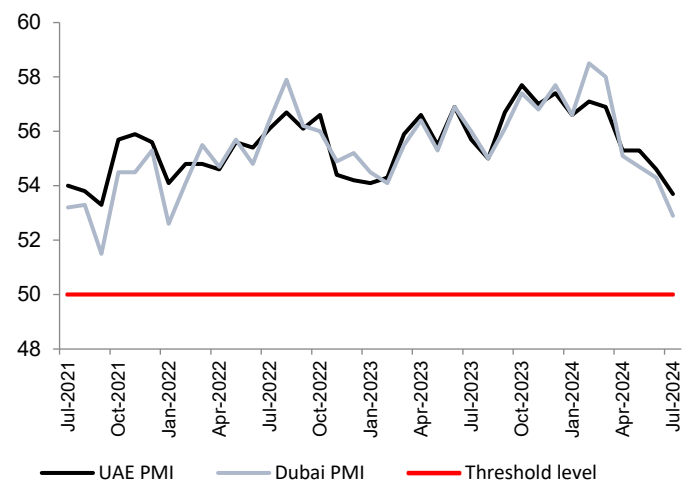
Sources: UAE Ministry of Finance; Federal Competitiveness and Statistics Centre; CBUAE.

Figure 2.3 UAE Fiscal Revenue Structure as a Share of Total Revenue



Sources: UAE Ministry of Finance and CBUAE.

Figure 2.4 UAE PMI (above 50 means expansion)



Source: S&P Global.

¹Data as of 27 August 2024.

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

II.2. Sectoral Analysis

In Q2 2024, apartment rent index in Abu Dhabi and Dubai increased by 6.6% and 10.1% Y-o-Y, villa rent index grew by 2.5% and 9.7% Y-o-Y, respectively

Dubai welcomed 9.3 million overnight visitors in H1-2024, with an increase of 9% compared to the previous year

UAE's airports experienced a 14.2% increase in passenger traffic in H1-2024

The 16 non-oil sectors continued their robust growth pattern in Q2 2024, albeit at a more moderate rate. Wholesale and retail trade, manufacturing and construction continued to be some of the main pillars of the non-oil sector expansion. In the wholesale and retail trade sector, the different CEPA agreements and the visa reforms, among others, resulted in increasing trade volumes and number of transactions. The manufacturing sector, continued to attract greater levels of FDI, expanding in line with “Operation 300 billion”. The construction sector witnessed growth, with many new and ongoing infrastructure projects taking place, such as Etihad Rail, Dubai Creek Harbor.

Residential Real Estate

In the first half of 2024, residential real estate transactions in Abu Dhabi saw a 2.3% Y-o-Y increase. The trends varied significantly by property type: apartment sales experienced a robust growth of 39% Y-o-Y, while villa sales declined by 34.8%. The growth was primarily driven by sales of ready units, which increased by 32.7% Y-o-Y, contrasting with a decline of 9.4% Y-o-Y in off-plan sales.

The apartment sales index in Abu Dhabi in Q2 2024 increased by 6.2% Y-o-Y, compared to 3.9% Y-o-Y growth in the villa segment.

The number of residential rent transactions in Abu Dhabi in the first half of 2024 increased by 2.9% Y-o-Y. Transactions in the apartment rent segment increased by 3.1% Y-o-Y, while villa rent transactions experienced 1.9% Y-o-Y growth over the same period.

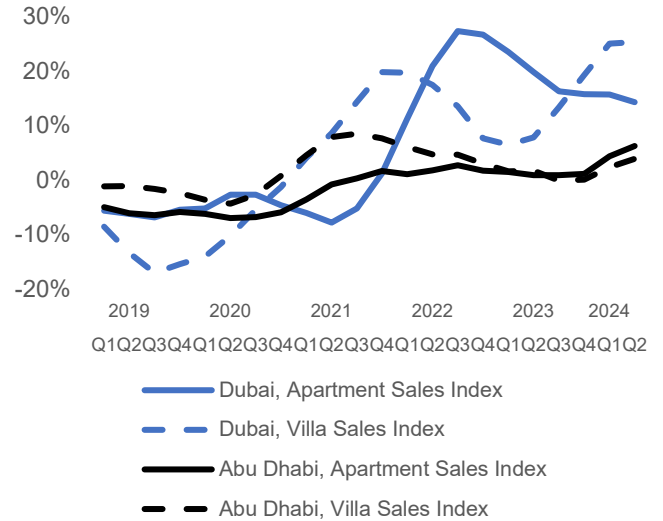
Abu Dhabi apartment rent index increased by 6.6% Y-o-Y in Q2 2024. Villa rent index in Abu Dhabi in the same period increased by 2.5% Y-o-Y.

In Dubai, residential sales transactions in the first half of 2024 increased substantially, recording a 34.8% Y-o-Y growth. The number of apartment sales rose by 40.3% Y-o-Y, outpacing the 8% Y-o-Y growth in villa transactions. Off-plan residential sales outperformed the sales of existing residential properties, growing by 53.4% Y-o-Y, compared to a 10.6% Y-o-Y increase in the latter.

The apartment sales price index in Dubai in Q2 2024 was 14.3% higher compared to Q2 2023, while villa sales price index demonstrated 25.3% Y-o-Y growth.

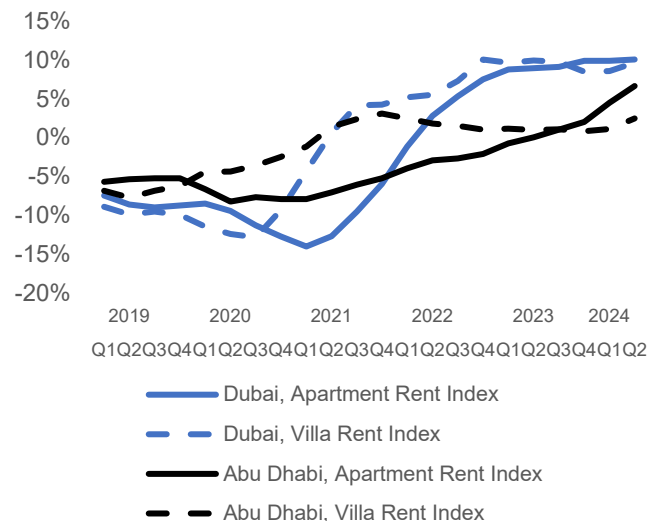
Dubai apartment rent index increased by 10.1% Y-o-Y in Q2 2024. Villa rent index in the same period rose by 9.7% Y-o-Y.

Figure 2.5 Percent change in Residential Sales Index, Y-o-Y



Sources: DLD, Quanta.

Figure 2.6 Percent change in Residential Rent Index, Y-o-Y



Sources: DLD, Quanta.

Tourism and Hospitality

Dubai has maintained its position as one of the world’s top international tourist hubs in H1 2024. Hotel occupancy rose to 78.7%, slightly higher than 77.7% in H1 2023. The average duration of stay per visitor was almost unchanged at 3.7 nights, yet there was a 3% Y-o-Y increase in the total occupied room nights, totalling 21.4 million nights.

Furthermore, Dubai’s record of 9.3 million overnight guests in the first half of 2024, a 9% increase from the previous year, highlights the continued strength and resilience of the tourism sector. The growth in tourism not only boosts revenue but also has a multiplier effect on other sectors, such as hospitality, retail and transportation. Given Dubai’s status as a global tourism hub, sustained growth in this sector is likely to contribute significantly to the overall GDP, particularly in the non-oil economy.

Transportation

In the first half of 2024, UAE’s airports experienced a 14.2% increase in passenger traffic, handling over 71.7 million travelers compared to 62.8 million in the same period last year.

Zayed International Airport welcomed over 13.7 million passengers in the first half of 2024, taking advantage of the top-tier facilities and services. This emphasizes Abu Dhabi’s status as a major transportation hub, with a 33.8% increase in passenger numbers compared to the same period in 2023.

The increase in passenger traffic not only solidifies the UAE’s status as a global aviation hub but also significantly contributes to the national economy. This growth in the aviation sector boosts tourism, trade and employment, further diversifying the UAE’s economy.

The strong performance and international presence of the UAE’s national carriers highlight the country’s efforts to expand its role within the global aviation network.

Figure 2.7 Accommodation Supply and Demand in Dubai in 2024 (3-Months Cumulative)

Categories	Establishment Nos.	Total Available Rooms [Supply]	Average Occupancy
2024 June	823 Establishments	150,879	79%
		2%	1%
2023 June	810 Establishments	148,689	78%

Source: Dubai Department of Economy and Tourism.

II.3. Inflation

The CBUAE revised its inflation projections for the UAE for 2024 and 2025 at 2.2%

In Q2 2024, headline inflation in the UAE accelerated to 2.3% Y-o-Y mainly due to the increase of prices in the transport category

Non-tradables continue to be the main source of inflation in the UAE

Inflation Outlook³

The CBUAE revised its UAE inflation forecast for 2024 from 2.3% to 2.2%, as per developments in commodity prices, wages and rents. Inflation forecasts are likely to be revised further down if disinflationary trends continue in food and beverages and major non-tradeable components. In 2025, inflation projections are also at 2.2%, mainly driven by the non-tradeable components of the basket, moderating energy prices, and the behavior of the USD.

Inflation drivers in the UAE

UAE's headline inflation increased slightly in Q2 2024 compared to the previous quarter, while remaining below the global average. According to the Federal Competitiveness and Statistics Center, the average headline consumer price index inflation reached 2.3% Y-o-Y in the second quarter of 2024.

In Q2 2024, prices in all categories increased except information and communication, furniture and household goods, and tobacco. Rise in non-tradeable prices by 2.4% Y-o-Y, which represents 71.1% of the basket, was the main source of pick up for the headline inflation, while the tradeable prices grew by 1.9% Y-o-Y.

From the top eight categories in the CPI basket, with a weight of more than 93%, only the transportation category (the second highest, representing 12.7% of the basket) marked an increase in the second quarter of the year compared to Q1 2024 (from -0.7% Y-o-Y to 3.3% Y-o-Y). This was the main driver for the headline inflation to increase from 1.9% Y-o-Y in Q1 2024 to 2.3% in the second quarter.

The housing group prices (including rent in addition to water, electricity, gas, and other types of fuel, representing 35.1% of the consumer basket) continued to decelerate, averaging 3.1% on an annual basis in Q2 2024 after an average of 3.2% Y-o-Y in the first quarter, with rents growth remaining more moderate mainly in Abu Dhabi. As for the food and beverages group, which is the second largest group in the consumer basket, inflation declined in Q2 2024 to an average of 1.5% Y-o-Y from an average of 2.4% in Q1 2024, in line with international food prices.

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

	Weights	Q4 2023	Q1 2024	Q2 2024
All Items	100.0	1.9	1.9	2.3
Non-tradeable	71.1	2.3	2.0	2.4
Tradeable	28.9	1.2	1.8	1.9
Housing, water, electricity and gas	35.1	3.3	3.2	3.1
Transportation	12.7	-1.5	-0.7	3.3
Food and beverages	12.0	2.0	2.4	1.5
Education	7.6	2.2	2.9	2.4
Information and communication	5.9	0.6	-0.4	-0.5
Textiles, Clothing and Footwear	5.2	1.3	3.4	2.9
Furniture and Household Goods	5.1	2.7	1.9	0.0
Miscellaneous Goods and Services	4.9	1.8	2.2	2.0
Restaurants and Hotels	4.6	3.6	1.0	0.7
Recreation and Culture	3.1	-1.3	-3.0	0.7
Medical Care	2.2	2.2	2.0	2.0
Insurance and Financial Services	1.3	5.1	5.2	5.1
Tobacco	0.2	-2.8	-1.6	-1.3

Source: Federal Competitiveness & Statistics Centre.

³ All inflation numbers in this section are averages over the period.

Chapter 3

Monetary and Financial Markets Developments



III.1. Money Supply and Interest Rates

Monetary aggregates M1, M2 and M3 grew in Q2 2024 by 12.8%, 16.9% and 14.7% Y-o-Y, respectively

CBUAE's Base Rate was cut by 50 bps to 4.9% in September 2024

The DONIA remained below the Base Rate, with the gap widening in Q2 2024, due to large excess liquidity in the market

Monetary Aggregates

Money supply continued to grow at a solid pace through the first half of 2024. M1 rose by 12.8% Y-o-Y and stood at AED 884 billion at the end of June 2024.⁴ This reflects a 9.7% Y-o-Y increase in Currency in Circulation Outside Banks (14.4% of M1) in addition to a 13.3% increase in monetary deposits (85.6% of M1). M2 increased by 16.9% Y-o-Y to AED 2,169 billion, fueled by a sizable increase in quasi-monetary deposits (59.2% of M2) by 20% Y-o-Y.^{5,6} M3⁷ grew by 14.7% Y-o-Y, reaching AED 2,632 billion, reflecting a 5.4% increase in government deposits in addition to the growth in M2.

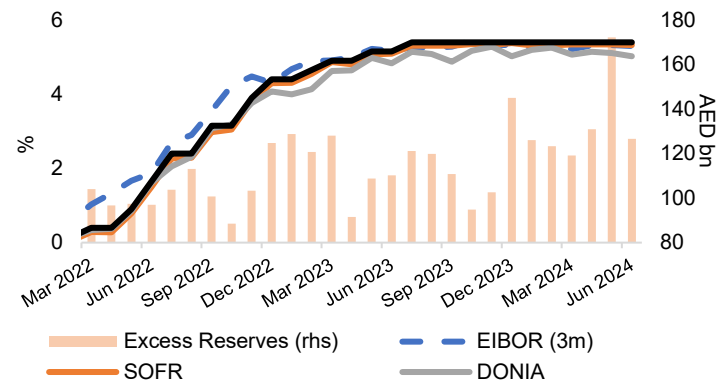
Interest Rates

In line with the US Federal Reserve's Interest Rate on Reserve Balances (IORB), the CBUAE has cut its key policy rate (Base Rate) by 50 bps in September 2024 to 4.9%. Overnight interbank rates remained below the Base Rate throughout the quarter. The Dirham Overnight Interest Average (DONIA) rate averaged around 30 basis points below the Base Rate, reflecting sustained large system-wide excess reserves of AED 144.7 billion on average.

The gap between DONIA and the Base Rate as well as the gap between DONIA and US overnight interest rates (SOFR) widened due to the increasing levels of system-wide surplus liquidity. The monetary impulse turned positive during the quarter mainly due to large net capital inflows and reduced net M-Bills issuance adding to banking sector liquidity. These factors more than offset the impact of the increase in reserve requirements (from 11% to 14% for demand deposits), resulting in a higher system-wide liquidity surplus at the end of June.

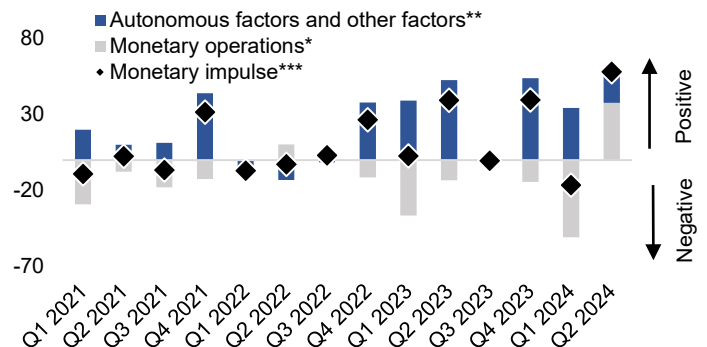
M-Bills yields moved broadly sideways during the quarter. This reflected broadly stable market expectations regarding near-term changes to the policy rate path in the United States. Namely, the 1, 3 and 6-month M-Bills traded in a range of around 5.5% to 5.7% for most of the quarter, with the exception of mid-April when the UAE was hit by severe floods. The outstanding volume of M-Bills fell to AED 186.2 billion at the end of June, down from AED 214.7 billion at the end of March. Despite negative net issuance in the quarter, the CBUAE continues to balance absorbing rising system-wide liquidity without causing distortions in M-Bills pricing.

Figure 3.1. Base Rate, Money Market Rates (%) and Excess Reserves in the Banking System (AED bn)



Sources: Bloomberg, CBUAE

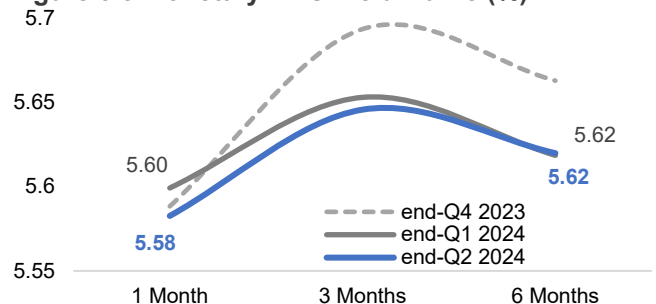
Figure 3.2 Monetary Impulse (AED bn)



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 balances, net capital flows, and other factors) ***/ The monetary impulse reflects the net change of the aggregate balance of the banking sector, autonomous factors as well as monetary operations. A positive impulse indicates an expansionary monetary base due to a general increase of the CBUAE balance sheet.

Figure 3.3 Monetary Bills Yield Curve (%)



Source: CBUAE

⁴ M1 consists of monetary deposits and currency in circulation outside banks.

⁵ M2 is equal to M1 plus quasi-monetary deposits.

⁶ Quasi-monetary deposits include resident time deposits in AED and all types of foreign currency deposits.

⁷ M3 is equal to M2 plus government deposits at the CBUAE and commercial banks.

III.2. Banking Developments

Continued expansion in the banking system's loan portfolio by 8.0% Y-o-Y

Credit sentiment survey shows continued positive credit conditions

Favorable funding and liquidity buffers supported by continued strong deposit growth of 13.0% Y-o-Y

Banking System Assets and Structure

The UAE banking sector's total assets increased by 11.3% Y-o-Y reaching AED 4,310 billion by the end of Q2 2024. The number of licensed banks in the UAE remained at 61, of which 23 were UAE national banks and 38 were branches of foreign banks operating in the UAE.

Banking System Credit and Deposits

The UAE aggregate banking system's lending grew by 8.0% Y-o-Y which was mainly driven by domestic credit. Domestic credit grew by 5.8% Y-o-Y to AED 1,816 billion as of the end of Q2 2024 reflecting the expansion in retail and private corporate loans, which grew by 13.9% and 3.6% Y-o-Y respectively. Domestic retail credit grew across key sub-categories, including mortgage loans, personal loans, and car loans.

Favorable liquidity and funding buffers were supported by a strong deposit growth of 13.0% Y-o-Y. The UAE banking system's deposit growth was mainly driven by the domestic private sector, growing by 19.1% Y-o-Y. Contributors to the resident private sector deposit growth were the expansion in retail and corporate deposits, growing by 16.2% and 21.2% Y-o-Y, respectively. The loan-to-deposit ratio at 78.0%, reflected the banking sector's ample credit capacity.

The CBUAE Credit Sentiment Survey

The CBUAE Credit Sentiment Survey Q2 2024 demonstrated positive credit sentiment conditions, as evidenced by the sustained credit demand and supply dynamics. The report revealed a rise in lending appetite among financial institutions, supported by a positive economic outlook, improving asset quality, and ample credit capacity in the UAE banking sector. Solid credit sentiment is likely to persist during Q3 2024.

Table 3.1 Assets and Credit in UAE Banks (AED billions)

	Q2 2023	Q3 2023	Q4 2023	Q1 2024	Q2 2024
Total Assets	3,873	3,952	4,071	4,255	4,310
(Y-o-Y change)	12.3%	10.3%	11.0%	13.0%	11.3%
Gross Credit	1,945	1,982	1,991	2,047	2,101
(Y-o-Y change)	4.2%	5.8%	6.0%	8.0%	8.0%
Domestic Credit	1,717	1,740	1,738	1,777	1,816
(Y-o-Y change)	3.5%	5.1%	5.3%	6.1%	5.8%
Government	219	213	184	188	191
(Y-o-Y change)	-1.6%	0.0%	-13.0%	-12.8%	-12.9%
GRES	264	280	293	298	302
(Y-o-Y change)	1.7%	9.7%	15.5%	21.4%	14.4%
Private Sector	1,222	1,236	1,240	1,272	1,306
(Y-o-Y change)	5.1%	5.3%	5.8%	6.0%	6.9%
Retail	396	408	418	431	451
(Y-o-Y change)	9.6%	10.7%	11.5%	12.1%	13.9%
Wholesale	826	828	822	842	856
(Y-o-Y change)	3.0%	2.9%	3.0%	3.2%	3.6%
NBFIs	12	11	21	18	17
(Y-o-Y change)	-10.2%	-18.5%	59.7%	44.9%	38.2%
Foreign Credit	228	241	254	270	285
(Y-o-Y change)	9.8%	10.7%	11.0%	21.8%	25.0%

Source: CBUAE.

Note: Data as of end of period.

Table 3.2 Total Deposits at UAE Banks (AED billions)

	Q2 2023	Q3 2023	Q4 2023	Q1 2024	Q2 2024
Bank Deposits	2,382	2,421	2,522	2,657	2,693
(Y-o-Y change)	13.9%	10.7%	13.5%	15.2%	13.0%
Resident Deposits	2,171	2,231	2,320	2,436	2,471
(Y-o-Y change)	17.8%	13.9%	15.5%	16.4%	13.8%
Government Sector	426	423	402	420	420
(Y-o-Y change)	34.2%	5.4%	1.2%	3.3%	-1.4%
GRES	214	231	224	249	238
(Y-o-Y change)	0.7%	-0.5%	3.4%	16.2%	11.0%
Private Sector	1,482	1,525	1,630	1,713	1,765
(Y-o-Y change)	17.1%	19.6%	20.8%	20.4%	19.1%
Retail	618	628	653	693	718
(Y-o-Y change)	16.7%	17.1%	16.7%	15.3%	16.2%
Wholesale	864	896	977	1,020	1,047
(Y-o-Y change)	17.3%	21.4%	23.6%	24.2%	21.2%
NBFIs	50	51	64	54	48
(Y-o-Y change)	3.1%	3.8%	37.4%	10.0%	-2.6%
Non-Resident Deposits	211	190	202	221	222
(Y-o-Y change)	-15.0%	-16.8%	-5.2%	3.5%	5.1%

Source: CBUAE.

Note: Data as of end of period.

III.3. Financial Developments

The UAE banking system remained resilient, with adequate capital and liquidity buffers

In Q1 2024, share prices in Dubai rose by 25.4% Y-o-Y and fell in Abu Dhabi by 3.6% Y-o-Y

CDS premiums for Abu Dhabi and Dubai further declined on the back of strong fundamentals

Financial Soundness Indicators

Banks in the UAE continued to maintain adequate capital levels above the minimum requirement. The aggregate bank capital position remained strong, with the CAR at 18.3% in Q2 2024, slightly higher than during the same period a year ago, while the Tier-1 and CET-1 capital ratios were sustained at 17.0% and 15.3%, respectively.

The overall banking system funding and liquidity indicators remained favorable during Q2 2024. The robust double-digit resident deposit growth continued to contribute to the solid liquidity and funding buffers, evidenced by key lending and funding indicators and a solid loan-to-deposit ratio indicating ample credit capacity.

The asset quality ratios of UAE banks improved, with the Net NPL ratio and the NPL ratio declining to 2.3% and 5.4%, respectively. This was largely contributed by the decline in the stock of non-performing loans in the private corporate loan portfolio. The asset quality benefited from improved write-off dynamics of NPLs.

Equity Markets

The Abu Dhabi Securities Market General Index (ADX), fell by 6.1% Y-o-Y in Q2 2024. The market capitalization slipped further to AED 2.7 trillion, brought by a fall in the shares of some major companies that constitute 25% of the total freely tradable shares. The Dubai Financial Market (DFM) General Index rose by 11.5% Y-o-Y in the second quarter of 2024. The market capitalization declined to AED 686 billion. DFM continued to on-board new investors, reflected by the number of listed companies increasing to 64 companies by the end of June 2024.

Credit Default Swaps (CDS)

The CDS for the government of Abu Dhabi rose from 40 bps in March 2023 to 41 bps in June 2024. The Abu Dhabi CDS level continues to remain very low, a testament to its dynamic economy, strong fiscal position and large sovereign wealth funds. Abu Dhabi continues to have one of the lowest CDS premiums in the Middle East and Africa region. Dubai's CDS remained constant at 65 bps in Q1 and Q2 2024.

Table 3.3 UAE Financial Soundness Indicators

Indicators	Q2 2023	Q3 2023	Q4 2023	Q1 2024	Q2 2024
Capital Adequacy					
Capital Adequacy Ratio	18.2%	18.5%	17.9%	18.0%	18.3%
Tier 1 Capital Ratio	17.0%	17.4%	16.6%	16.7%	17.0%
Common Equity Tier 1 Ratio	15.3%	15.6%	14.9%	15.0%	15.3%
Liquidity and Funding					
Advances to Stable Resources Ratio*	73.8%	76.5%	73.9%	72.4%	72.6%
Net Stable Funding Ratio**	114.4%	111.7%	111.6%	113.6%	114.4%
Loan-to-deposit Ratio	81.6%	81.9%	79.0%	77.0%	78.0%
Eligible Liquid Assets Ratio	20.8%	20.7%	22.0%	22.0%	22.2%
Liquidity Coverage Ratio*	162.5%	151.0%	160.8%	157.7	159.2%
Asset Quality					
Net Non-Performing Loans Ratio**	2.8%	2.7%	2.4%	2.3%	2.3%
Non-Performing Loans Ratio****	6.9%	6.6%	5.9%	5.6%	5.4%

Source: CBUAE

Notes: Data as of end of period.

* Liquidity Coverage Ratio and Net Stable Funding Ratio apply to five approved banks.

** The Net Non-Performing Loans Ratio excludes specific provisions and provides a better indicator of asset quality, taking into account the provisioning levels in the UAE banking system.

*** For the methodology of the NPL ratio and the Net NPL ratio reporting, see CBUAE (2019): Central Bank of the UAE Enhances its Reporting of Non-performing Loans.

Table 3.4 UAE Equity Markets

			Q2-2023	Q3-2023	Q4-2023	Q1-2024	Q2-2024
ADX	Share Price Index*	Y-o-Y	-3.9%	0.3%	-8.6%	-3.8%	-6.1%
	Market Capitalization*	AED bn	2754	2842	2883	2865	2754
		Y-o-Y	40.3%	35.1%	12.0%	10.5%	-0.01%
	Traded Value**	AED bn	64	71	66	67	60
Y-o-Y		-35.2%	-19.5%	-29.0%	-21.5%	-5.9%	
DFM	Share Price Index*	Y-o-Y	6.1%	21.6%	19.4%	25.4%	11.5%
	Market Capitalization*	AED bn	631	690	672	723	686
		Y-o-Y	13.8%	21.6%	16.3%	22.8%	8.7%
	Traded Value**	AED bn	27	31	22	24	22
Y-o-Y		-0.3%	56.1%	7.9%	27.5%	-18.4%	

Source: Securities and Commodities Authority.

Notes: *Denotes average in the month or quarter, ** Denotes end-of-month or quarter values.

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

	2022	2023				2024	
	Q4*	Q1*	Q2*	Q3*	Q4*	Q1*	Q2*
Abu Dhabi	52.6	43.1	40.2	36.0	44.4	39.9	40.9
Dubai	106.7	78.0	80.8	69.6	71.4	65.3	65.3

Source: Bloomberg.

Note: All values are average for the period.

III.4. Insurance Sector Developments

In H1 2024, the insurance sector continued to grow in terms of gross written premiums, number of insurance policies and gross paid claims

Technical provisions and the level of investment assets showed healthy increases

The insurance sector remained well capitalized in H1 2024, with healthy capital adequacy and earnings ratios

Insurance Sector Structure and Activity

The UAE insurance sector continued to grow in Q2 2024 in terms of gross written premiums. The number of licensed insurance companies in the UAE is 59, comprising 23 traditional and 10 takaful national companies, and 25 branches of foreign insurance companies operating in the UAE and one branch of a foreign reinsurance company operating in the UAE. The number of insurance-related professions reached 498.

During the first six months of 2024, the gross written premiums increased by 31.2% Y-o-Y in H1 2024 to AED 35.7 billion, mostly due to an increase in property and liability insurance premiums by (39.4%) Y-o-Y, health insurance premiums by (30.7%) Y-o-Y, and the insurance of persons and fund accumulation premiums by (9.1%) Y-o-Y, this growth resulting primarily from increase in group and individual life insurance premiums.

Gross paid claims of all types of insurance plans increased by 34.0% Y-o-Y to AED 18.9 billion in H1 2024. This was mainly driven by the rise in claims paid in property and liability insurance by 46.2% Y-o-Y, and 150% insurance of persons and fund accumulation.

In H1 2024, the total technical provisions⁸ of all types of insurance increased by 22.8% Y-o-Y to AED 94.2 billion. The volume of invested assets in the insurance sector amounted to AED 78.7 billion (50.8% of total assets) compared to AED 72.9 billion (57.1% of total assets) during the same period in 2023. The retention ratio⁹ of written insurance premiums for all types of insurance was 53.1% (AED 18.9 billion) in H1 2024, compared to 53.8% (AED 14.6 billion) a year earlier.

Insurance Soundness Indicators

The UAE insurance sector remained well-capitalized. With regard to the various capital adequacy ratios, the own funds¹⁰ to Minimum Capital Requirement ratio increased to 376% in H1 2024, compared to 352.4% in the first half of 2023; the own funds to Solvency Capital Requirement ratio reached to 185.8% in Year-to-June 2024 compared to 203.4% in H1 2023, as a result of an increase in own funds eligible to meet solvency capital requirements; and the own funds to Minimum Guarantee Fund ratio was 286.7% in the first six months of 2024 compared to 308.9% in H1 2023.

In terms of profitability, the net total profit to net written premiums was 6% in H1 2024, compared to 10.4% a year earlier. The return on average assets increased to 0.7% in H1 2024 compared to the 0.5% in the first half of the previous year.

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

Description	2023				2024*	
	Q1	H1	Q1-Q3	Full Year	Q1	H1
1- Gross Written Premiums	17.8	27.2	42.0	53.4	21.0	35.7
• Property & Liability	6.5	9.9	16.6	20.8	7.9	13.8
• Health Insurance	9.3	14.0	20.1	25.9	11.3	18.3
• Persons and Fund Accumulation	2.0	3.3	5.3	6.7	1.8	3.6
2- Gross Claims Paid	7.1	14.1	23.1	31.6	9.3	18.9
• Property & Liability	1.7	3.9	5.7	7.5	2.6	5.7
• Health Insurance	4.9	9.2	14.4	20.0	5.2	10.7
• Persons and Fund Accumulation	0.5	1.0	3.0	4.1	1.5	2.5
3- Technical Provisions	73.7	76.7	75.0	76.3	84.3	94.2
4- Total Invested Assets	70.5	72.9	74.4	77.2	78.5	78.7
5- Total Assets	128.3	127.7	131.6	130.3	146.4	154.8
6- Total Equity	26.3	27.0	27.9	28.0	28.6	28.0

Source: CBUAE.

Notes: * Preliminary data, cumulative at end of period

Table 3.7 Insurance Soundness Indicators (%)

Description	2023				2024*	
	Q1	H1	Q1-Q3	Full Year	Q1	H1
1- Reinsurance ratio						
Retention ratio	53.2	53.8	52.5	53.2	53.0	53.1
2- Capital Adequacy Ratios						
Own funds to Minimum Capital Requirement (MCR)	340.6	352.4	349.8	364.2	365.8	376.0
Own Funds to Solvency Capital Requirement (SCR)	198.0	203.4	207.3	217.1	193.8	185.8
Own Funds to Minimum Guarantee Fund (MGF)	309.3	308.9	310.6	309.4	297.5	286.7
3- Earnings Ratios						
Net total profit to net written premiums	7.8	10.4	12.1	8.8	7.6	6.0
Return on average assets	0.5	0.5	0.6	0.35	0.6	0.7

Source: CBUAE.

Notes: *Estimated data.

⁸ Technical provisions are 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.

⁹ The retention ratio is calculated as the ratio of net written premium to gross written premium.

¹⁰ Own funds consist of the capital that an insurance company has available to meet solvency requirements, which includes admissible assets less liabilities.

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