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List of Abbreviations

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

Executive Summary

The global economy is projected to grow by 2.8% in 2025, according to the latest International Monetary Fund (IMF) forecast, marking a 0.5 percentage point downward revision from the January estimate. The IMF has also significantly revised down its US GDP growth forecast by 0.9 percentage points to 1.8% for 2025, citing heightened policy uncertainty, trade tensions, and expected weaker consumption growth as the main drivers of the revision. Growth is expected to decline further to 1.7% in 2026. For other advanced economies, growth is projected to average 1.4% in 2025, with the euro area lagging at 0.8% due to manufacturing weaknesses. Meanwhile, growth in emerging markets and developing economies (EMDEs) is expected to slow to 3.7% in 2025, with a slight increase to 3.9% in 2026. EMDEs remain highly vulnerable to global uncertainty and trade tensions, along with regional disparities. The GCC region's economic growth is forecasted to significantly accelerate from an estimated 1.8% in 2024 to 3.2% in 2025, largely driven by stronger growth in the UAE and Saudi Arabia.

Global inflation is on a steady downward trend, largely driven by disinflation in goods prices. Yet, stubbornly high prices in housing and transportation are preventing a faster decline. This has led some advanced economy central banks to slow their rate-cutting cycles. For instance, the US Federal Reserve (Fed) maintained its target range for the Federal Funds rate at 4.25%-4.50% for the third consecutive meeting, while the European Central Bank continued cutting rates as inflation rates were close to target levels. The inflationary impact of recent tariffs is yet to be observed in hard data. With somewhat mixed labour market signals and ongoing policy uncertainties (including economic, trade, fiscal and monetary policy uncertainties), central banks are carefully adjusting their monetary policy stance based on incoming data. The path of financial conditions will, among other factors, hinge on evolving inflation, labour market dynamics, and global geopolitical developments.

The UAE's non-oil trade exceeded AED 2.8 trillion in 2024, equivalent to 139% of GDP. This corresponds to a 13.6% year-on-year (Y-o-Y) increase, reflecting the successful implementation of the UAE's economic diversification strategy and stronger trade relationships with key partners. This strong performance, supported by Comprehensive Economic Partnership Agreements, is expected to continue through 2025 and 2026, boosting the real economy.

The CBUAE expects real GDP to expand by 4.4% in 2025 and further increase to 5.4% in 2026. This performance is driven by the expected robust dynamism of the non-hydrocarbon activities and a robust increase in the hydrocarbon sector following updated OPEC+ production plans. The non-hydrocarbon GDP is expected to grow by 4.5% in both 2025 and 2026, while the hydrocarbon sector is projected to grow by 4.1% in 2025, followed by a further expansion of 8.1% in 2026.

Inflation in the UAE stood at 1.4% in Q1 2025, largely due to lower energy costs. The CBUAE has slightly revised its inflation forecast for 2025 downward to 1.9% from 2%. This adjustment is attributed mainly to a continuous downward trend in transportation costs. The inflation forecast for 2026 has also been lowered to 1.9% from 2.1%.

UAE residential sales market maintained strong momentum in Q1 2025, with residential real estate sales transactions increasing by 12.6% Y-o-Y. Off-plan sales transactions saw 17.0% Y-o-Y growth, reflecting sustained investor interest, while ready units sales increased 5.2% Y-o-Y. Rental transactions in residential real estate declined by 5.6% Y-o-Y in the first quarter of 2025. The number of renewed rents fell by 2% Y-o-Y, while newly registered rents experienced a stronger decline of 11.6% Y-o-Y.

Dubai's tourism sector maintained strong momentum in Q1 2025, attracting 7.15 million overnight visitors, representing a 7% increase compared to Q1 2024, and a hotel occupancy rate of 83%. This reflects a solid start that reinforces the city's position as a premier global destination.

In line with the Fed's May meeting, the CBUAE kept its key policy rate (Base Rate) unchanged in May at 4.4%. The Dirham Overnight Interest Average (DONIA) rate remains around 15 basis points below the Base Rate on average, reflecting sustained excess system-wide liquidity. Favourable liquidity and funding conditions in the UAE banking system were supported by a double-digit deposit growth of 10.9% Y-o-Y, while the banking system's lending grew 9.4% Y-o-Y, amid supportive domestic economic conditions.

Capital markets have remained on a solid growth path. In Q1 2025, Dubai Financial Market's share price index rose by 22.6% Y-o-Y, and the Abu Dhabi Securities Market General Index increased by 1.9% Y-o-Y. Credit Default Swaps (CDS) spreads for Abu Dhabi and Dubai remained low, underscoring the UAE's low-risk economy, strong fiscal position and significant buffers on sovereign wealth funds balance sheets. The insurance sector demonstrated robust growth, with gross written premiums, the number of insurance policies and gross paid claims all rising by 13.8%, 17.4% and 18.3% Y-o-Y in Q1 2025, respectively. Technical Provisions also grew by 18.7% Y-o-Y, and the sector maintained healthy capital adequacy and earnings ratios.

Chapter 1

International Economic Developments and UAE External Sector



I.1. Global Economic Outlook

Global economic growth is projected to decelerate to 2.8% in 2025 before rebounding to 3.0% in 2026

Growth in advanced economies is expected to slow to 1.4% in 2025 and 1.5% in 2026, while EMDEs' growth is projected at 3.7% and 3.9% in 2025 and 2026, respectively

Growth in the GCC is expected to recover from 1.8% in 2024 to 3.2% in 2025, accelerating further to 4.3% in 2026

Global Economy

The global economy is projected to grow by 2.8% in 2025, according to the IMF in its April 2025 World Economic Outlook (WEO). This is a 0.5 percentage point (pp) downward revision from the January 2025 WEO Update. For 2026, global growth is now expected to reach 3.0%, which is 0.3 pp lower than the January forecast. These projected growth rates remain below the historical average of 3.7% recorded between 2000 and 2019. The subdued global growth outlook stems from significant headwinds, including escalating trade tensions potentially leading to higher effective tariff rates, persistent global economic uncertainty and continued financial markets volatility.

Advanced Economies

Following a 1.8% expansion in 2024, growth in advanced economies is expected to moderate to 1.4% in 2025 and 1.5% in 2026. These figures represent downward revisions of 0.5 and 0.3 pp, respectively, compared to the January forecasts. In almost all advanced economies, growth projections have been revised down.

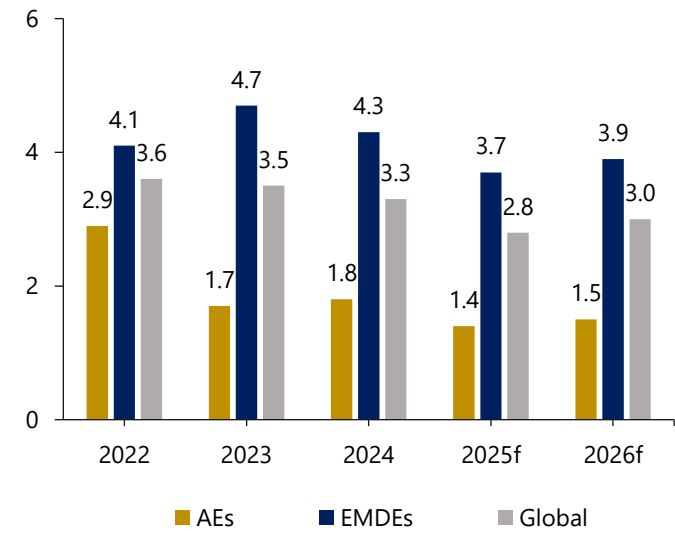
The United States (US) growth forecast for 2025 has been significantly revised down by 0.9 pp compared to the January forecast, standing at 1.8%. This revision mainly reflects heightened policy uncertainty, trade tensions, and expected weaker consumption growth. GDP growth is expected to decline further to 1.7% in 2026, which is 0.4 pp below the earlier projection, as the effects of tariffs are expected to persist.

The euro area's growth is projected to decline to 0.8% in 2025 before recovering to 1.2% in 2026, with both years 0.2 pp lower than earlier projections. The downgrade would have been more severe without offsetting factors, including increased defence spending, rising real wages, and a sharper drop in oil prices.

For the United Kingdom (UK), growth has been revised down by 0.5 pp to 1.1% in 2025, driven mainly by tariffs, weaker private consumption, higher government bond yields and higher inflation due to an increase in regulated prices. Growth is projected to improve slightly to 1.4% in 2026.

After experiencing growth of 0.1% in 2024, Japan's economy is projected to expand by 0.6% in 2025, reflecting a 0.5 pp downward revision. Despite the ongoing uncertainty from trade tensions, growth is supported by stronger private consumption due to real wage growth and robust corporate profits. The growth is expected to remain stable at 0.6% in 2026.

Figure 1.1 Global Real GDP Growth (%)



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

Table 1.1 Real GDP Growth in Advanced Economies (%)

| | 2022 | 2023 | 2024 | 2025f | 2026f |
|-----------|------|------|------|-------|-------|
| Global | 3.6 | 3.5 | 3.3 | 2.8 | 3.0 |
| AEs | 2.9 | 1.7 | 1.8 | 1.4 | 1.5 |
| US | 2.5 | 2.9 | 2.8 | 1.8 | 1.7 |
| Euro area | 3.5 | 0.4 | 0.9 | 0.8 | 1.2 |
| UK | 4.8 | 0.4 | 1.1 | 1.1 | 1.4 |
| Japan | 0.9 | 1.5 | 0.1 | 0.6 | 0.6 |

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

Emerging Markets and the GCC Economies

According to the IMF's latest WEO report, economic growth in EMDEs is projected to decelerate to 3.7% in 2025, and then slightly recover to 3.9% in 2026, down from 4.3% in 2024. These figures reflect downward revisions of 0.5 and 0.4 pp, respectively, compared to the January WEO Update. Despite their stronger growth performance relative to the global average, EMDEs remain highly vulnerable to global uncertainty and trade tensions, with substantial regional disparities.

Emerging and developing Asian economies, particularly in Southeast Asia, face considerable headwinds from increasing tariff rates. As a result, growth forecasts for emerging and developing Asia have been revised downward by 0.6 pp to 4.5% in 2025, and by 0.5 pp to 4.6% in 2026.

China's growth forecast for 2025 has been revised down from 4.6% to 4.0%, while the forecast for 2026 has been lowered from 4.5% to 4.0%. This revision primarily reflects the intensifying impact of tariffs, which is offsetting the positive carryover from 2024 and the fiscal stimulus package announced last year. The lower projected growth in 2025 is largely due to prolonged trade policy uncertainty and the lingering effects of trade measures. India's growth, despite a marginal deceleration from 6.5% in 2024, is still projected to remain strong at 6.2% in 2025, mainly driven by private consumption. India's GDP is expected to rise slightly to 6.3% in 2026. These figures represent downward revisions of 0.3 and 0.2 pp for 2025 and 2026, respectively.

In Latin America and the Caribbean, growth is forecasted to decrease from 2.4% in 2024 to 2.0% in 2025, representing a downward revision of 0.4 pp compared to the January forecasts. This moderation is largely due to tighter monetary policy in several countries, as well as rising uncertainty and notable negative implications for Mexico from US tariffs. The growth rate is projected to rebound slightly to 2.4% in 2026.

Growth in emerging and developing Europe is expected to decline significantly from 3.4% in 2024 to 2.1% in 2025, primarily due to a decrease in Russia's growth, driven by slower private consumption, weaker investment, and slower wage growth. Additionally, decelerating growth in Türkiye is expected to weigh on the regional outlook. Growth is projected to remain stable at 2.1% in 2026.

The GCC region's economic growth is forecasted to significantly accelerate from an estimated 1.8% in 2024 to 3.2% in 2025, largely driven by stronger growth in the UAE and Saudi Arabia. However, the overall growth still represents a downward revision of 0.3 pp compared to previous forecasts, mainly driven by lower hydrocarbon revenues and, to some extent, non-hydrocarbon sectors. Nevertheless, non-hydrocarbon sectors (financial services, trade and tourism), remain resilient, benefiting from ongoing economic diversification reforms. Infrastructure projects continue to play a key role in supporting diversification in the region. In 2026, growth is expected to accelerate significantly to 4.3%, driven by a recovery in oil production coupled with the robust performance of the non-hydrocarbon sector.

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

| | 2022 | 2023 | 2024 | 2025f | 2026f |
|--------|------|------|------|-------|-------|
| EMDEs | 4.1 | 4.7 | 4.3 | 3.7 | 3.9 |
| Brazil | 3.0 | 3.2 | 3.4 | 2.0 | 2.0 |
| China | 3.1 | 5.4 | 5.0 | 4.0 | 4.0 |
| India | 7.6 | 9.2 | 6.5 | 6.2 | 6.3 |

Source: International Monetary Fund, World Economic Outlook - April 2025.

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

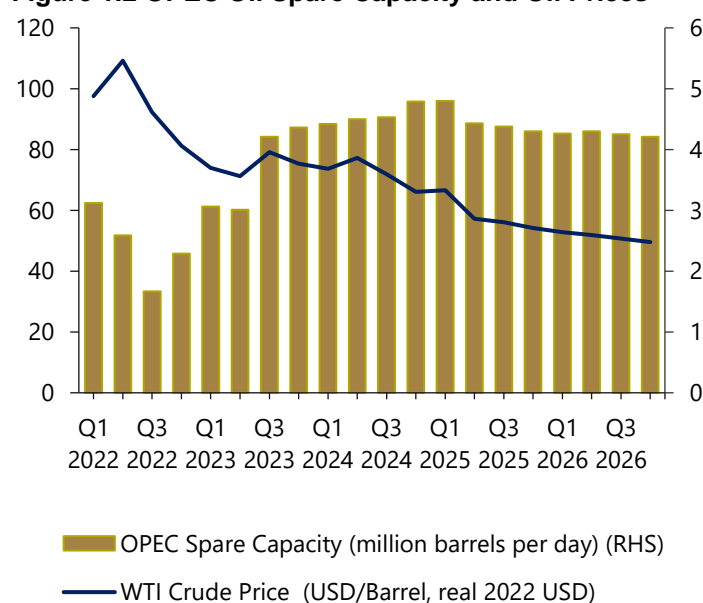
Table 1.3 Real GDP Growth in the GCC Economies (%)

| | 2022 | 2023 | 2024 | 2025f | 2026f |
|--------------|------|------|------|-------|-------|
| GCC | 7.1 | 0.6 | 1.8 | 3.2 | 4.3 |
| UAE | 7.5 | 4.3 | 4.0 | 4.4 | 5.4 |
| Saudi Arabia | 7.5 | -0.8 | 1.3 | 3.0 | 3.7 |
| Qatar | 4.2 | 1.4 | 2.4 | 2.4 | 5.6 |
| Kuwait | 5.9 | -3.6 | -2.8 | 1.9 | 3.1 |
| Oman | 8.0 | 1.2 | 1.7 | 2.3 | 3.6 |
| Bahrain | 6.2 | 3.9 | 2.8 | 2.8 | 3.0 |

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

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

Figure 1.2 OPEC Oil Spare Capacity and Oil Prices



Source: US Energy Information Administration.

I.2. Inflation and Monetary Policy Responses

Global inflation is projected to decline from 5.7% in 2024 to 4.3% in 2025 and to 3.6% in 2026

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

Several central banks continued to cut interest rates in response to declining inflation rates

Global

According to the IMF's April 2025 WEO, global inflation is projected to fall from 5.7% in 2024 to 4.3% in 2025 and further to 3.6% in 2026. The impact of the recent tariffs on inflation across different countries may vary depending on their level, whether they are expected to be temporary or permanent, the extent to which businesses modify their margins to compensate for higher import costs, and whether imports are invoiced in local currency or USD.

Advanced Economies

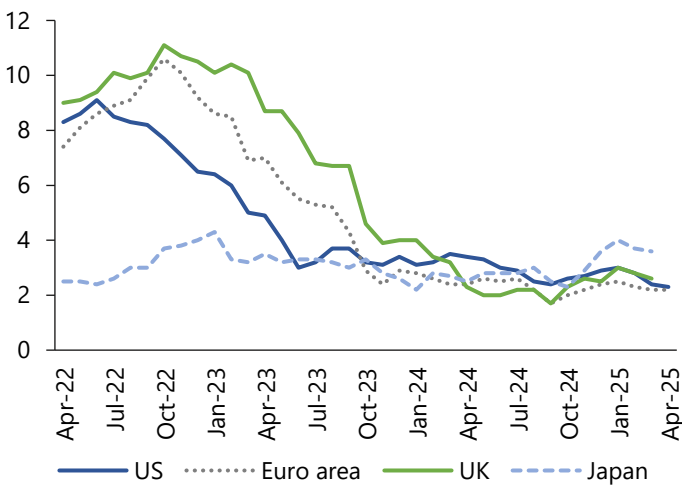
In the US, headline CPI inflation stood at 2.3% Y-o-Y in April 2025, with notable contributions from shelter and food. The Fed maintained its target range for the federal funds rate at 4.25%-4.50% in its May meeting, noting that economic activity has continued to expand at a solid pace.

Euro area inflation remained steady at 2.2% in April 2025. The closely-watched services inflation prints picked up, coming in at 3.9% compared to the previous 3.5%, reflecting seasonal factors such as “Easter timing effects”. The European Central Bank delivered another 25-bps policy rate cut in its April meeting, bringing the policy rate to 2.25%.

UK inflation dropped to 2.6% in March, increasing the pressure on the Bank of England (BoE) to continue with easing monetary policy. The BoE responded by cutting the policy rate by 25 bps in May to 4.25%, partly to counteract headwinds from US tariff measures. However, an unexpected three-way split in the BoE’s Monetary Policy Committee vote in May dampened market expectations of an accelerated easing cycle going forward.

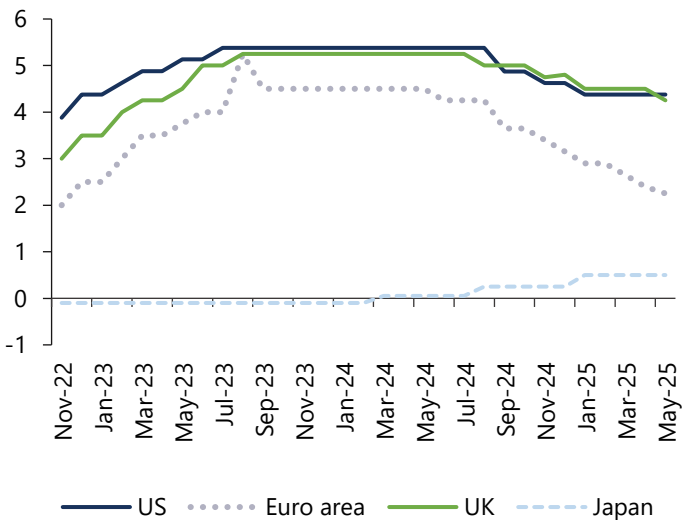
Japan’s inflation grew by 3.6% Y-o-Y in March 2025, the third straight year above the Bank of Japan’s (BoJ) 2% target. The Bank of Japan maintained its policy rate at 0.5% in its March and April meetings, though officials signalled that further tightening may be warranted. BoJ members also emphasised vigilance given the potential economic impact of US tariff actions.

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 came in at -0.1% Y-o-Y in April 2025, marking the third consecutive month of deflation. Weakened domestic demand, continued trade tensions with the US, and labour market uncertainty weighed on consumer prices. Non-food prices remained flat, as modest increases in housing and healthcare were offset by a sharper fall in transport costs. Food prices showed signs of stabilisation, supported by a rebound in fresh food costs amid extreme weather and supply disruptions. The People's Bank of China kept its one-year loan prime rate unchanged at 3.1%.

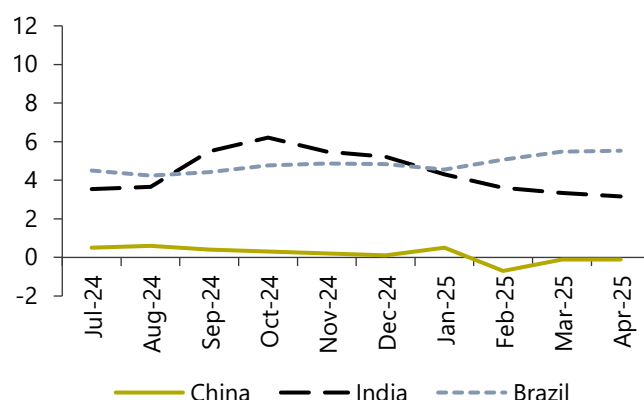
India's inflation fell to 3.2% Y-o-Y in April 2025, marking six straight months of decline. This was primarily driven by easing food prices and muted housing inflation. Food inflation slowed significantly, reflecting improved supply conditions and lower cost pressures across key categories. Meanwhile, energy prices rose due to base effects, though they remained contained overall. The Reserve Bank of India reduced its repo rate by 25 bps to 6% in its April meeting, citing continued disinflation and subdued domestic demand.

Brazil's inflation rose to 5.5% Y-o-Y in April 2025, remaining above the central bank's 3% target for the sixth consecutive month. Inflationary pressures persisted across food, beverages, housing, health and personal care. Transport inflation moderated but remained elevated. The Central Bank of Brazil raised its Selic rate by 50 bps to 14.75% during its May meeting, as it sought to address sustained price pressures and to prepare for uncertainty due to economic and trade policies.

Inflation across the GCC remained largely contained in early 2025, with country-specific drivers shaping price dynamics. Inflation in the UAE was 1.1% Y-o-Y in March 2025, driven primarily by an increase in non-tradeable inflation. In March 2025, Qatar and Bahrain both recorded 0.1% Y-o-Y in March, with subdued price pressures across most categories. Kuwait's inflation eased to 2.4% Y-o-Y in March, reflecting slower growth in food, housing services and other services, while furnishings and education prices edged higher. Saudi Arabia's inflation rose to 2.3% Y-o-Y in March, led by higher food and education costs, while housing and utilities inflation moderated. Oman posted the region's lowest rate at 0.6% Y-o-Y in March, driven by declines in food and easing transport inflation.

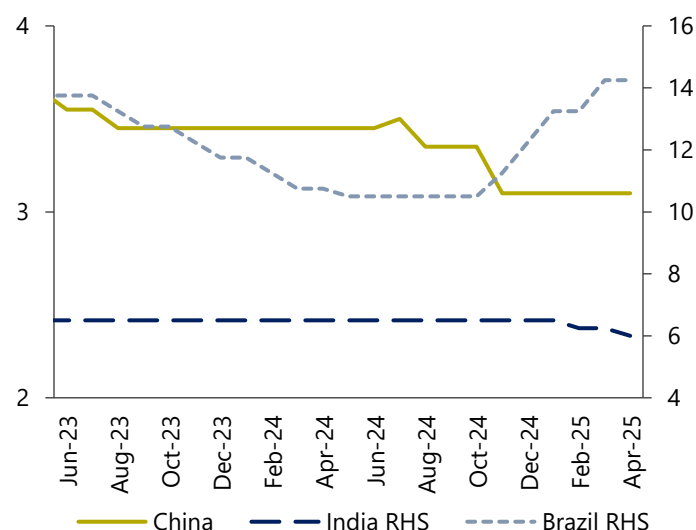
In May 2025, GCC central banks kept key policy rates unchanged in line with peg arrangements, following earlier adjustments. The Saudi Central Bank maintained its repo rate at 5.0%, unchanged since its December 2024 cut. Qatar held its lending rate steady at 5.1%, and Kuwait kept its discount rate at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

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



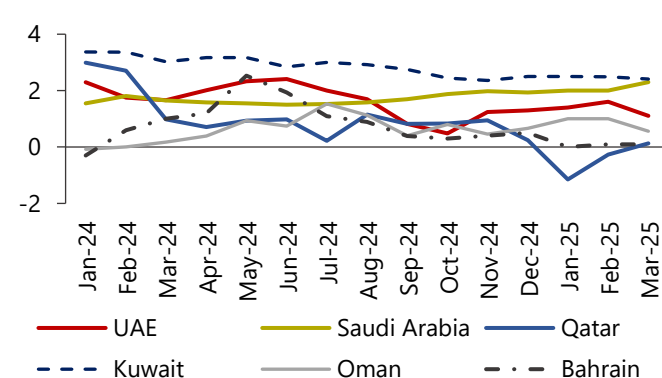
Sources: Bloomberg.

Figure 1.6 Policy Rates in Selected Emerging Economies (%)



Source: Bloomberg.

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



Sources: Bloomberg, Federal Competitiveness and Statistics Centre.

I.3. Global Markets' Developments

Global financial conditions tightened amid rising volatility and persistent trade tensions

Commodity trends diverged amid geopolitical risks, weak demand, and trade tensions

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

Global Financial Conditions

Global financial conditions experienced a period of tightening, particularly in April, driven by the imposition of "Liberation Day" tariffs, which contributed to rising market volatility and broader macroeconomic uncertainty. However, these conditions subsequently eased, returning to previous levels following a limited number of US-China and US-UK trade agreements. Despite this easing, recent developments, including shifts in global trade policies and renewed geopolitical tensions, have prompted markets to reassess global risks. Equity markets had seen sharp declines, particularly in early April, while sovereign bond spreads widened for several emerging markets. While there has been some rebound following improved sentiment, the overall tone remains cautious. High valuations across asset classes and lingering concerns over debt sustainability in highly leveraged economies increase the likelihood of further market disruptions, particularly if global growth slows more than expected, with elevated inflation rates.

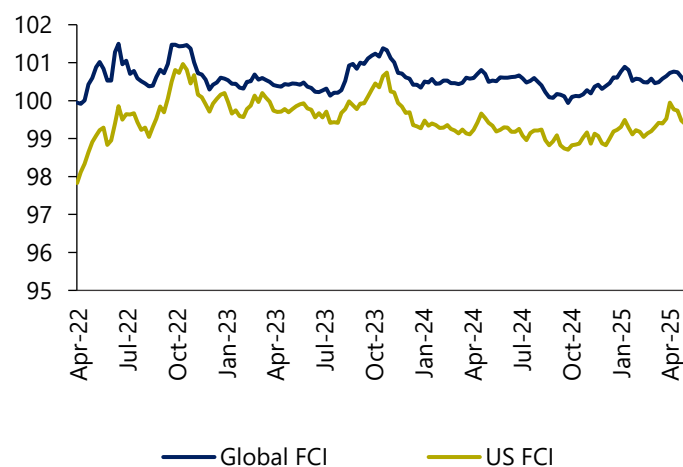
In the US, financial conditions remained volatile amid heightened tariff tensions and market uncertainty. Equity markets experienced notable volatility in April, driven by investor anxiety over trade disruptions, inflationary pressures, and fiscal uncertainties. Treasury yields fluctuated accordingly, underscoring ongoing market sensitivity to economic and policy developments; this period also saw traditional perceptions of US Treasuries as the premier flight-to-safety asset being challenged, a shift potentially reflected in the concurrent surge in gold prices. Investor sentiment remains cautious, reflecting increasing deficit projections, debt sustainability concerns, persistent inflation pressures and broader macroeconomic risks.

Commodities

Brent crude prices declined by 7%, to USD 67.7 per barrel in April from USD 72.6 in March, amid OPEC+ cut reversals and weaker demand, especially from China. Trade tensions further weighed on sentiment despite ongoing supply risks. Similarly, liquefied natural gas prices fell to an average of USD 3.4 per MMBtu in April, down from USD 4.2 in February, though still above December's level of USD 3.0, reflecting easing momentum after months of increases.

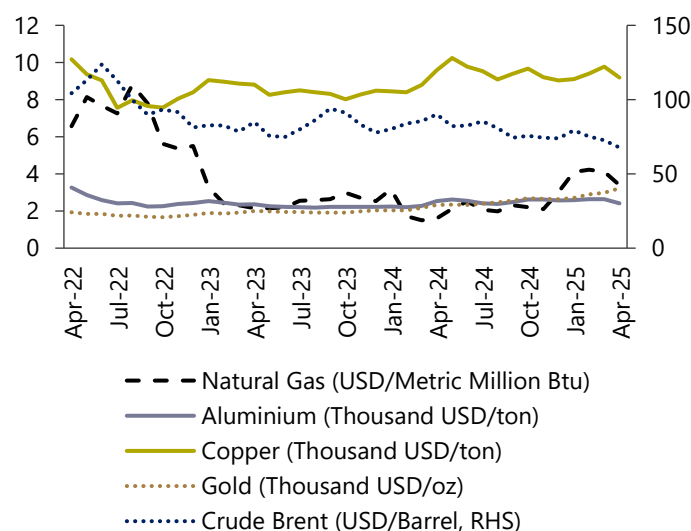
Gold prices surged in April 2025 to an all-time high, surpassing USD 3,400 per ounce, as risk-off sentiment prevailed amid rising geopolitical risks and escalating US-China trade tensions. The rally followed the imposition of tariffs on Chinese imports to the US, heightening stagflation concerns. With equities under pressure and a weaker dollar, gold rose by 38.1% Y-o-Y. Meanwhile, copper and aluminium prices declined by 4.2% and 5.0% Y-o-Y, respectively, amid softer demand signals from some sectors and persistent macroeconomic uncertainty.

Figure 1.8 Financial Conditions Indices



Source: Goldman Sachs.

Figure 1.9 Commodity Prices



Source: Bloomberg.

In April 2025, the FAO Food Price Index increased by 7.6% Y-o-Y, supported by rising prices for cereals, dairy, and meat, while sugar and vegetable oils declined. In Q1 2025, food prices saw consecutive monthly gains amid tightening global supply, with risks tilted upward due to adverse weather and new trade restrictions impacting agricultural commodities.

UAE's International Trade

UAE's non-oil goods trade in 2024 increased by 13.6% Y-o-Y, surpassing AED 2.8 trillion (equivalent to 139% of GDP).

Non-oil exports saw a significant increase of 29.3% during the reporting period compared to the previous year, reaching AED 544.3 billion. This growth was mainly driven by a surge in gold and jewellery exports. India was the UAE's top non-oil export partner, accounting for 13.9% of total non-oil exports, followed by Türkiye (10.1%) and Iraq (9.8%). Gold led the list of exported non-oil goods, making up 50.3% of total non-oil exports, followed by jewellery (4.8%) and tobacco products (4.3%).

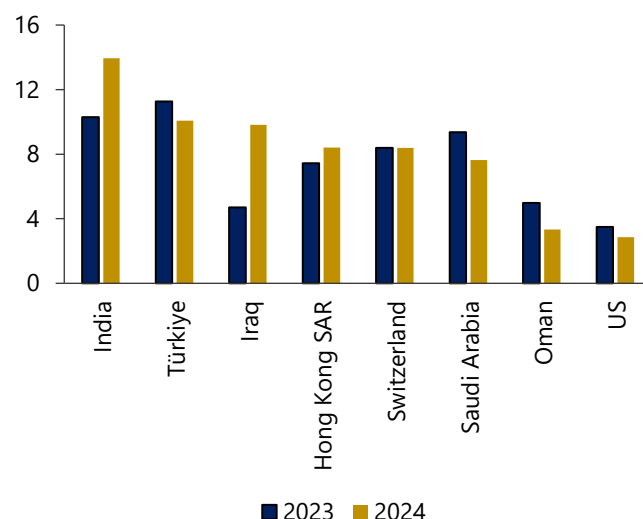
Re-exports increased by 3.8%, totalling AED 639.5 billion in 2024. Saudi Arabia was the leading re-export destination with a share of 14.9%, the top destination for UAE re-exports, followed by Iraq (11.1%) and India (6.5%). Telecommunications equipment dominated re-exports, accounting for 18.6% of the total, while diamonds (9.1%) and motor vehicles (6.7%) were also among the most re-exported goods.

Imports grew by 13.3% in 2024 to AED 1.6 trillion. The increase was attributed to robust growth in the non-hydrocarbon sector and a favourable exchange rate movement against major trading partners. China was the UAE's largest source of imports, representing 19.0% of total imports, followed by India (7.5%) and the US (5.9%). Gold topped the list of imported goods with a share of 24.1%, while telecommunications equipment and motor vehicles followed at 9.5% and 6.5%, respectively.

Exchange Rate

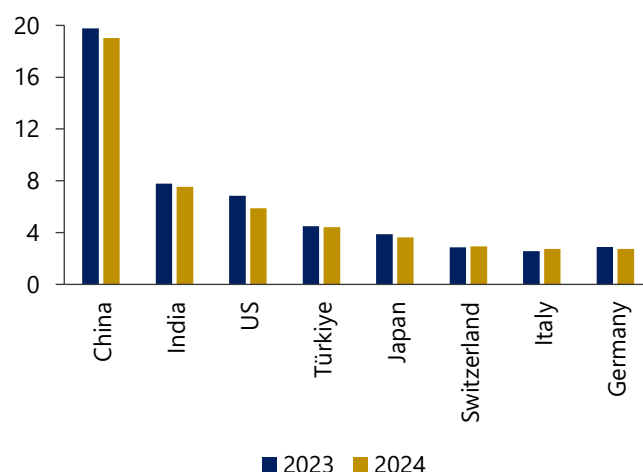
The AED nominal effective exchange rate (NEER), which factors in the bilateral exchange rates of the national currency against a basket of the UAE's trading partners, appreciated by 1.2% Y-o-Y in March 2025. Similarly, the real effective exchange rate (REER), which accounts for inflation differentials between the UAE and its trading partners, appreciated by 0.4% compared to a year ago, reflecting the 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)



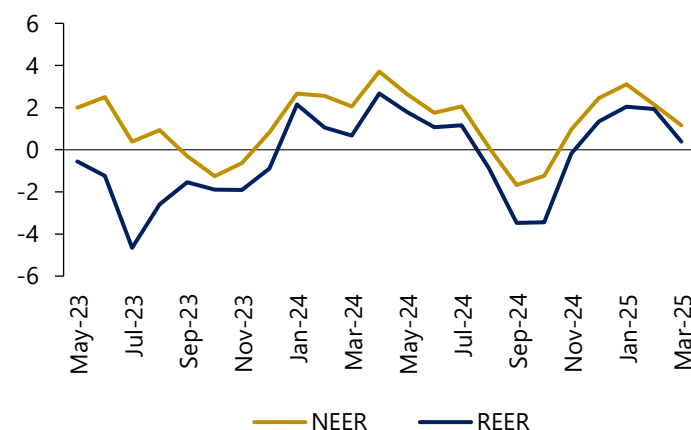
Source: Federal Competitiveness and Statistics Centre.

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



Source: Federal Competitiveness and Statistics Centre.

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



Source: CBUAE.

* An increase means appreciation, and a decrease means depreciation

Chapter 2

Domestic Economic Developments



II.1. Economic Growth

| | | |
|---|--|---|
| Real GDP growth is projected to rebound to 4.4% in 2025 and further accelerate to 5.4% in 2026, from 4.0% in 2024 | Non-hydrocarbon GDP growth is expected to remain robust during 2025 and 2026 | Hydrocarbon GDP growth is forecasted to accelerate in 2025 and 2026 |
|---|--|---|

Real GDP Outlook

The UAE economy grew by 4.0% in 2024. This growth was primarily driven by a 5.0% expansion of non-hydrocarbon activities and a 1.0% recovery in the hydrocarbon sector. For 2025, the CBUAE has lowered its growth forecast by 0.3 pp to 4.4%. This revision reflects the effects of slower global economic activity, increased uncertainty and falling oil prices. Despite this revision, the projected growth for 2025 remains higher than that observed in 2024. For 2026, the growth projection has also been revised downward by 0.3 pp to 5.4%, largely due to weaker external demand and subdued oil prices.

Although the outlook remains positive, the growth projections for 2025 and 2026 are surrounded by considerable risks. On the downside, risks stem from unresolved global trade policy uncertainties and the more severe effects of lower oil prices on the non-hydrocarbon sector. The upside potential includes the successful execution of reform agendas combined with diversification strategies, the signing of Comprehensive Economic Partnership Agreements and trade deals, investment projects, and further integration of artificial intelligence, which could enhance the economy’s resilience and performance.

Non-Hydrocarbon GDP

The non-hydrocarbon GDP is expected to grow by 4.5% in 2025, and the growth rate is projected to remain steady in 2026. This sustained growth is primarily driven by the government’s strategic plans and policies aimed at attracting foreign investment, fostering innovation and promoting key non-hydrocarbon sectors, such as industrial manufacturing, tourism, transport and the digital economy, which align with key national initiatives within the “We the UAE 2031” vision.

Hydrocarbon GDP

During the first four months of 2025, oil production averaged 2.9 million barrels per day, a 0.4% decline compared to the same period last year. However, oil production is expected to pick up over the year, in line with OPEC+ production quotas. Gas production in the first quarter of 2025 rose by 2.0% Y-o-Y.

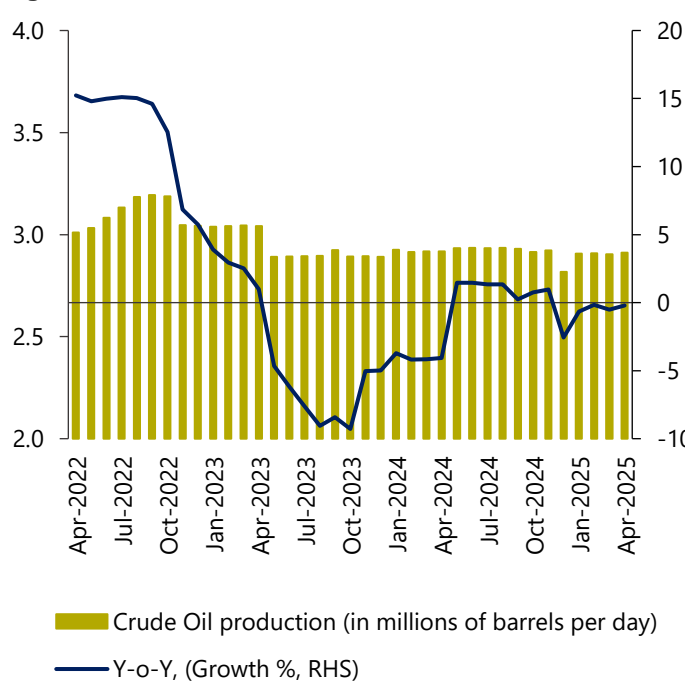
Based on the OPEC+ production plans, as well as ongoing and planned upstream and midstream activities in the oil and gas sector, the hydrocarbon sector is expected to grow by 4.1% in 2025, followed by a further expansion of 8.1% in 2026.

Table 2.1 Real GDP Growth in the UAE (%)

| | 2022 | 2023 | 2024 | 2025f | 2026f |
|---------------------|------|------|------|-------|-------|
| Overall GDP | 7.5 | 4.3 | 4.0 | 4.4 | 5.4 |
| Non-hydrocarbon GDP | 7.0 | 7.0 | 5.0 | 4.5 | 4.5 |
| Hydrocarbon GDP | 8.9 | -3.0 | 1.0 | 4.1 | 8.1 |

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

Figure 2.1 UAE Crude Oil Production



Source: Organization of Petroleum Exporting Countries.

Government Revenue and Expenditure

The UAE continues to demonstrate a strong and sustainable fiscal position, supported by low levels of government debt and consistently robust fiscal surpluses in recent years. In 2024, the fiscal surplus stood at AED 109.6 billion (5.5% of GDP), a slight decline from the AED 111.7 billion (5.9% of GDP) recorded in 2023.

Total general government revenue increased by 1.2% in 2024, reaching AED 553.4 billion, equivalent to 27.8% of GDP. This growth was primarily driven by a substantial 15.5% increase in tax revenues, which offset a 20.3% decline in other revenue categories. Tax revenue has become an increasingly significant component of government income, rising from 53.2% of total revenue in 2022 to 58% in 2023 and further to 66.2% in 2024.

Government expenditure rose by 2% Y-o-Y to AED 443.8 billion in 2024, accounting for 22.3% of GDP, compared to AED 435 billion (23.0% of GDP) in 2023. This increase was driven by higher spending on employee compensation (up 3.3%), consumption of goods and services (up 7.6%), and social benefits (up 13.4%). These increases were partially mitigated by a 50.5% reduction in other expenses.

Additionally, capital expenditure by the general government grew by 7.1% to AED 34.9 billion in 2024, reflecting the UAE's continued commitment to large-scale infrastructure development and the enhancement of its economic and investment environment.

Over the medium term, the outlook for the UAE's fiscal sector remains favourable. The fiscal breakeven oil price – the oil price that is necessary to balance the budget – is projected to stay relatively low, while hydrocarbon exports are expected to increase gradually in the coming years. These developments are anticipated to further reinforce the country's fiscal position over the medium-term horizon.

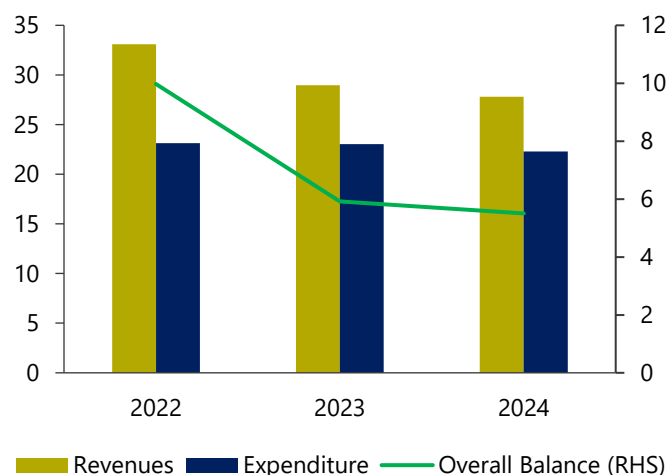
Purchasing Managers' Index (PMI)

Economic activity in the UAE's non-oil private sector remained in expansionary territory in April 2025, though momentum appears to be stabilising. The UAE's Purchasing Managers' Index (PMI) held steady at 54 for the second consecutive month, signalling continued business growth and resilience in the face of global uncertainties. In Dubai, however, the PMI edged slightly down to 52.9 in April from 53.2 in March, reflecting a softening in business activity. Despite this moderation, key sectors such as manufacturing, tourism, transport, and trade continue to drive the emirate's non-oil growth, supported by the government's ongoing diversification agenda.

Wages

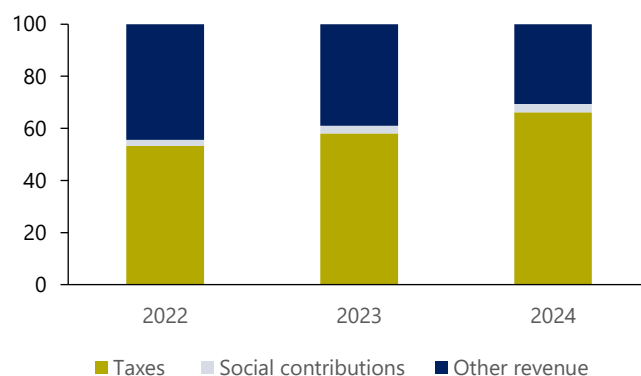
The number of employees covered by the CBUAE Wages Protection System (WPS)² increased by 7.4% Y-o-Y in March 2025, while the average employee salary increased by 3.5% Y-o-Y³. These indicators of employment and wage growth demonstrate the UAE's continued attractiveness and may indicate robust domestic consumption and sustainable GDP growth going forward.

Figure 2.2 Consolidated Fiscal Balance (% of GDP)



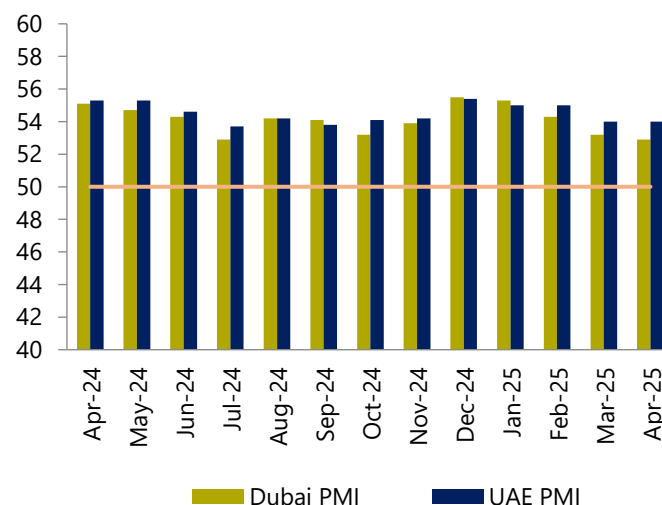
Sources: UAE Ministry of Finance; Federal Competitiveness and Statistics Centre; CBUAE.

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.

² Data as of mid-May 2025.

³ Employment and average wage growth rates were calculated using 3-month moving average.
Quarterly Economic Review June 2025

II.2. Sectoral Analysis

The UAE’s residential real estate market continued to display robust momentum in the first quarter of 2025

The UAE’s aviation and tourism sectors remain vital drivers of the nation’s economic diversification agenda

Dubai welcomed 7.15 million overnight visitors in January-April 2025, a 7.0% Y-o-Y increase

Residential Real Estate

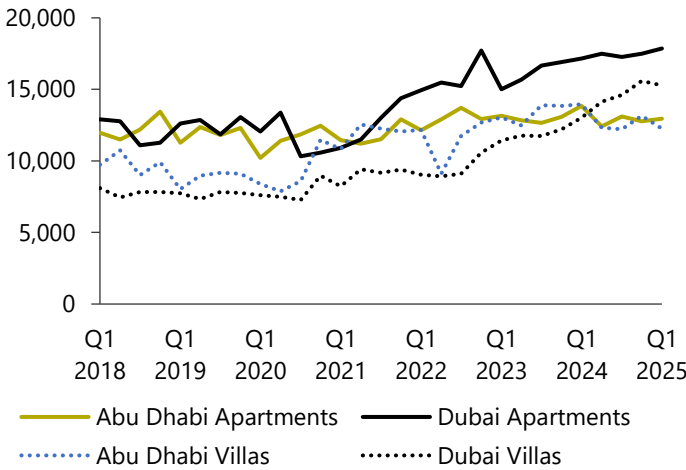
UAE residential real estate sales market maintained strong momentum in Q1 2025, with transactions in Abu Dhabi and Dubai increasing by 12.6% Y-o-Y. Off-plan sales transactions demonstrated 17.0% Y-o-Y growth, reflecting sustained investor interest, while ready units saw 5.2% Y-o-Y growth. Sales of villas increased by 27.7% Y-o-Y, and the number of sold apartments rose by 10.3% Y-o-Y.

The median sales price for apartments and villas in Abu Dhabi in the first quarter of 2025 decreased by 6.5% and 12.1% Y-o-Y, respectively. This decline was primarily due to a shift in transaction activity towards mid- and lower-tier locations in Q1 2025, compared to a higher concentration of prime location sales in the same period last year. Median villa sales prices in Dubai rose by 17.2% Y-o-Y, while apartment prices posted a more moderate gain of 4.1% Y-o-Y.

Rental transactions in Abu Dhabi and Dubai in Q1 2025 declined by 5.6% Y-o-Y. The number of renewed rents fell by 2% Y-o-Y, while newly registered rents experienced a stronger decline of 11.6% Y-o-Y. The volume of leased apartments in the first quarter of 2025 declined by 5.5% Y-o-Y, and the number of villa rents fell by 6.0%.

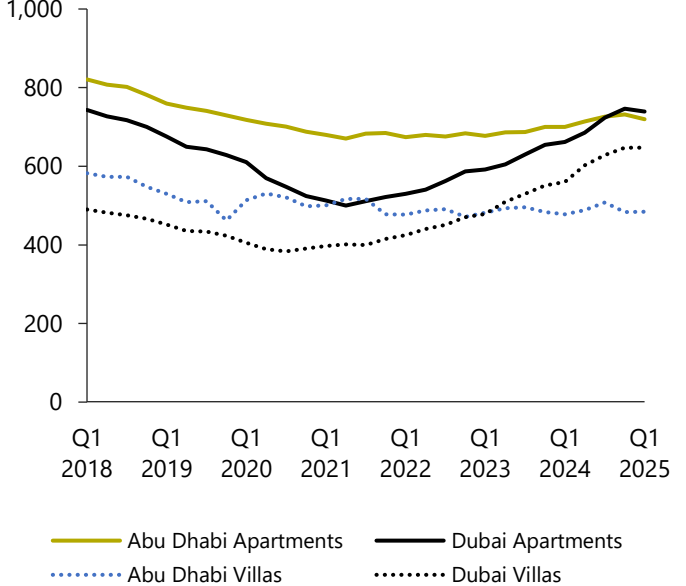
Despite the slowdown in transaction volumes, the median apartment rental price in Abu Dhabi in Q1 2025 increased by 2.7% Y-o-Y, while villa rents remained relatively stable, rising by 1.3% Y-o-Y. Rental prices in Dubai remained on an upward trend: median apartment rents increased by 11.7% Y-o-Y, while villa rents saw a more pronounced rise of 15.6% Y-o-Y.

Figure 2.5 Median Residential Sales Price (AED per SQM)



Source: CBUAE estimates based on data from Abu Dhabi Real Estate Centre and Dubai Land Department.

Figure 2.6 Median Residential Rent (AED per SQM)



Source: CBUAE estimates based on data from Abu Dhabi Real Estate Centre and Dubai Land Department.

Tourism and Hospitality

Dubai’s tourism sector maintained strong momentum in Q1 2025, attracting 7.15M overnight visitors, with an increase of 7% compared to the same period last year. This reflects a solid start that reinforces the city’s position as a premier global destination.

The hospitality sector also demonstrated resilience, with hotel occupancy reaching a healthy 83% in April 2025, an increase compared to 81% in the same period last year. Revenue per available room held steady, reflecting sustained demand across key tourism segments. These results highlight the continued success of Dubai’s efforts to enhance visitor experiences and global connectivity, supporting broader non-oil economic growth and reinforcing confidence in the emirate’s long-term tourism strategy.

Transportation

Etihad Airways, the national airline of the UAE, reported significant growth, transporting 6.7 million passengers in the first four months of 2025, a 17.1% increase compared to the same period in 2024. This growth was attributed to the expansion of capacity and a larger operating fleet. As of April 2025, the airline served 99 destinations with a fleet of 72 aircraft, up from 89 destinations and 68 aircraft during the same period last year.

Dubai International Airport (DXB) saw an impressive 23.4 million passengers through its terminals in Q1 2025, sustaining its strong growth trajectory and reaffirming its standing as one of the world’s busiest international airports. This increase highlights both the rising global appeal of Dubai as a destination and DXB’s strategic importance as a key travel hub. Despite setting records in Q1 2025, traffic rose by 1.5% Y-o-Y. Notably, January 2025 marked a historic milestone, with DXB handling 8.5 million travellers - the highest monthly figure ever recorded at the airport.

The UAE’s aviation and tourism sectors remain vital drivers of the nation’s economic diversification agenda. Their continued growth reflects the success of targeted strategies aimed at strengthening global connectivity, expanding the hospitality sector, and elevating the country’s profile as a premier destination for both leisure and business travel.

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

| Categories | Establishment Nos. | Total Available Rooms [Supply] | Average Occupancy |
|------------|--------------------|--------------------------------|-------------------|
| 2024 April | 831 Establishments | 151,849 | 81% |
| | 0% | 1% | |
| 2025 April | 831 Establishments | 153,534 | 83% |

Source: Dubai Department of Economy and Tourism.

II.3. Inflation

The CBAUE revised down its projections for the UAE inflation for both 2025 and 2026 to 1.9%

In Q1 2025, UAE headline inflation stood at 1.4% Y-o-Y

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

Inflation Outlook

The CBAUE revised down its inflation⁴ forecast for 2025, by 0.1 pp, to 1.9%, driven by moderating energy prices, partially offset by non-tradeable components of the consumer basket. In addition, easing prices of key non-energy commodities will contribute to a contained inflation rate. In 2026, inflation is expected to remain unchanged at 1.9%, reflecting 0.2 pp of downward revision from the previous forecast.

Inflation Drivers in the UAE

Inflation in the UAE averaged 1.4% in Q1 2025, driven primarily by an increase in non-tradeable inflation. Specifically, Abu Dhabi's inflation rate was 0.5%, and Dubai's inflation rate was 3.1% for the first quarter of 2025.

The inflation rate in Q1 2025 represents an acceleration compared to the 1.0% inflation rate in the previous quarter. Except for transportation, communication, textiles, furniture and household goods, prices in other sectors increased on an annual basis in Q1 2025. The decrease in tradeable prices by 0.6% Y-o-Y, which represents 31.4% of the basket, was the primary offsetting factor of the headline inflation. In contrast, the 2.3% acceleration in non-tradeable prices contributed to the increase in inflation in Q1 2025.

The downward trend in transportation prices, which declined by 3.3% Y-o-Y, continued in Q1 2025. On the contrary, the prices of the housing group, which represents 35.1% of the consumer basket, increased slightly, averaging 3.9% Y-o-Y in Q1 2025 compared to 3.5% Y-o-Y in Q4 2024, with Abu Dhabi housing inflation increasing at a slower rate compared to Dubai.

For the food and beverages – the third largest group in the consumer basket – inflation slowed significantly in Q1 2025 to an average of 0.4% Y-o-Y, from 1.9% in Q4 2024, reflecting the lagging effects of moderating food prices in international markets.

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

| | Weights | Q2 2024 | Q3 2024 | Q4 2024 | Q1 2025 |
|---|---------|------------|------------|------------|------------|
| All Items | 100.0 | 2.3 | 1.5 | 1.0 | 1.4 |
| Non-tradeable | 68.6 | 2.4 | 2.0 | 1.8 | 2.3 |
| Tradeable | 31.4 | 1.9 | 0.7 | -0.5 | -0.6 |
| Housing, water, electricity, and gas | 35.1 | 3.1 | 3.2 | 3.5 | 3.9 |
| Transportation | 12.7 | 3.3 | -3.7 | -7.8 | -3.3 |
| Food and beverages | 12.0 | 1.5 | 2.3 | 1.9 | 0.4 |
| Education | 7.6 | 2.4 | 2.2 | 2.1 | 1.6 |
| Information and communication | 5.9 | -0.5 | -1.1 | -1.0 | -0.6 |
| Textiles, Clothing and Footwear | 5.2 | 2.9 | 2.8 | 2.2 | -0.2 |
| Furniture and Household Goods | 5.1 | 0.0 | -0.9 | -1.7 | -1.8 |
| Miscellaneous Goods and Services | 4.9 | 2.0 | 3.3 | 3.9 | 2.8 |
| Restaurants and Hotels | 4.6 | 0.7 | 0.2 | 0.7 | 0.5 |
| Recreation and Culture | 3.1 | 0.6 | 6.0 | 8.0 | 6.7 |
| Medical Care | 2.2 | 2.0 | 0.2 | 0.2 | 0.4 |
| Insurance and Financial Services | 1.3 | 5.1 | 5.8 | 4.1 | 4.0 |
| Tobacco | 0.2 | -2.0 | -2.0 | -2.0 | 1.5 |

Source: Federal Competitiveness and Statistics Centre.

Note: Tradeable and non-tradeable are CBAUE estimations.

⁴ 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 in Q1 2025 grew by 12.4%, 14.3% and 12.1% Y-o-Y, respectively

CBUAE kept the Base Rate unchanged at 4.4% in Q1 2025

DONIA remained below the Base Rate, and the gap slightly widened in Q1 2025, reflecting higher system-wide excess reserves

Monetary Aggregates

Strong money supply growth continued in Q1 2025, reflecting a favourable economic environment. M1 rose by 12.4% Y-o-Y to AED 987 billion at the end of March 2025.⁵ This reflects a 15.7% Y-o-Y increase in Currency-in-Circulation Outside Banks (14.9% of M1) in addition to an 11.8% Y-o-Y increase in Monetary Deposits (85.1% of M1). M2 increased by 14.3% Y-o-Y to AED 2,439 billion, and quasi-monetary deposits rose by 15.6% Y-o-Y (59.6% of M2).^{6,7} M3 grew by 12.1% Y-o-Y, reaching AED 2,895 billion due to a 1.6% Y-o-Y increase in Government Deposits in addition to the growth in M2.⁸

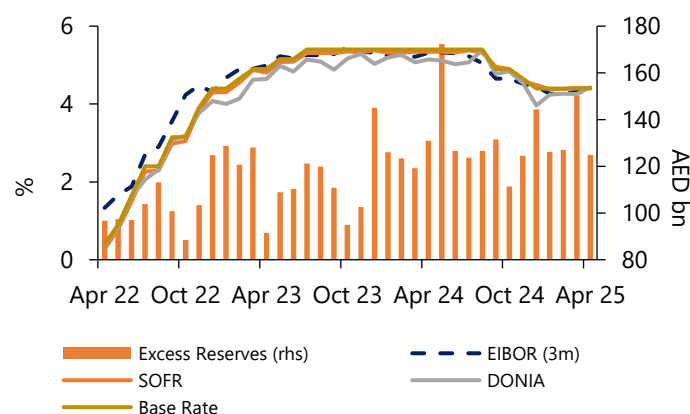
Interest Rates

In line with the Fed's monetary policy actions, the CBUAE kept its key policy rate (Base Rate) unchanged at 4.4% in May. Overnight interbank rates remained below the Base Rate, with the Dirham Overnight Interest Average (DONIA) rate averaging around 15 bps below the Base Rate. This compares to 12 bps in the previous quarter. The widening in the spread reflected system-wide excess liquidity rising to around AED 135 billion on average over the quarter, compared to AED 131 billion in the previous quarter. The spread has however narrowed since, due to introduction of CBUAE's Overnight Murabaha Facility (OMF). This facility provides a Shari'ah-compliant equivalent to an Overnight Deposit Facility to remunerate excess reserves.

The CBUAE balance sheet continued to expand, driven by positive net capital inflows. The impact on banks' Aggregate Balance was offset mostly by increased M-Bills issuance, higher Currency-in-Circulation and an increase in government deposits placed at the CBUAE. The net effect was an increase in the Aggregate Balance of AED 14.3 billion at the end of the quarter, resulting in a positive monetary impulse.

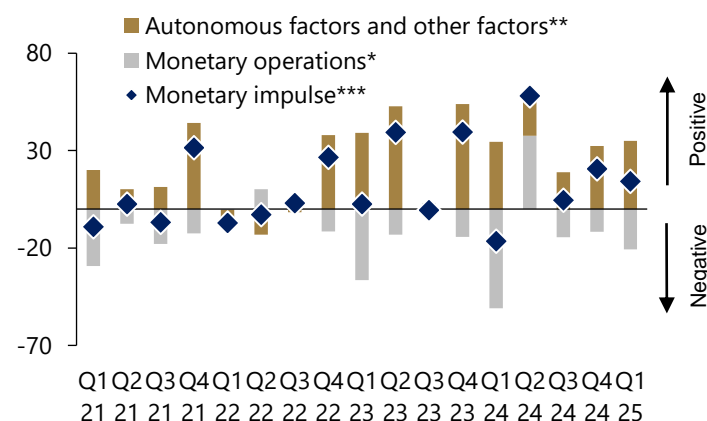
The M-Bills yield curve flattened only slightly in Q1 2025 but inverted in April as longer-term rates (up to 12 months) fell significantly, consistent with movements in US Treasury Bill yields. The outstanding volume of M-Bills rose to AED 241 billion at the end of March, up from AED 213 billion at the end of December 2024.

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



Sources: Bloomberg, CBUAE.

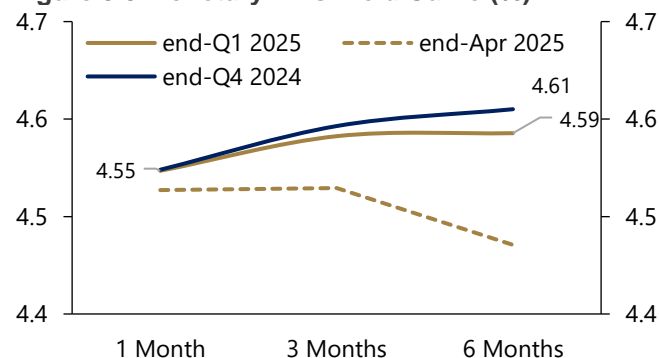
Figure 3.2 Monetary Impulse



Source: CBUAE.

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

Figure 3.3 Monetary Bills Yield Curve (%)



Source: CBUAE.

⁵ M1 consists of monetary deposits and currency in circulation outside banks.

⁶ M2 is equal to M1 plus quasi-monetary deposits.

⁷ Quasi-monetary deposits include resident time deposits in AED and all types of foreign currency deposits.

⁸ M3 is equal to M2 plus government deposits at the CBUAE and commercial banks.

III.2. Banking Developments

Banking system lending grew by 9.4% Y-o-Y, primarily driven by loans to the retail and private corporate sectors

Favourable funding conditions, supported by a double-digit deposit growth of 10.5% Y-o-Y

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

Banking System Assets and Structure

The UAE's total banking system's assets increased by 10.9% Y-o-Y to AED 4,719 billion by the end of Q1 2025. The UAE banking sector comprised 61 banks, encompassing 23 UAE national banks and 38 branches of foreign banks operating in the UAE.

Banking System Credit and Deposits

The UAE banking system's lending continued to grow by 9.4% Y-o-Y, amid favourable domestic economic conditions. Retail and private corporate credit were the key drivers of overall credit expansion in the domestic loan portfolio, increasing 17.5% and 8.2% Y-o-Y, respectively.

Favourable liquidity and funding conditions in the UAE banking system were supported by a double-digit deposit growth of 10.5% Y-o-Y. The primary contributors to this growth were resident retail and private corporate deposits, increasing by 13.6% and 15.9% Y-o-Y, respectively.

Financial Soundness Indicators

The capital adequacy remained well above the regulatory requirements, albeit moderating slightly to 17.6%. The moderation was due to a higher growth in the risk-weighted assets compared to the eligible capital.

The funding and liquidity indicators continued to be robust, amid continued strong deposit growth. The loan-to-deposit ratio improved further to 76.3%, reflecting the banking sector's ample credit capacity.

The UAE banking system recorded a sizable reduction in the stock of non-performing loans by 16.7% Y-o-Y. As a result, the Net NPL ratio improved further to 1.8%, and the NPL ratio improved further to 4.3%.

Table 3.1. Assets and Credit (AED billion)

| | Q1 2024 | Q2 2024 | Q3 2024 | Q4 2024 | Q1 2025 |
|------------------------|--------------|--------------|--------------|--------------|--------------|
| Total Assets | 4,255 | 4,310 | 4,402 | 4,559 | 4,719 |
| (Y-o-Y change) | 13.0% | 11.3% | 11.4% | 12.0% | 10.9% |
| Gross Credit | 2,047 | 2,101 | 2,162 | 2,181 | 2,240 |
| (Y-o-Y change) | 8.0% | 8.0% | 9.1% | 9.5% | 9.4% |
| Domestic Credit | 1,777 | 1,816 | 1,860 | 1,843 | 1,869 |
| (Y-o-Y change) | 6.1% | 5.8% | 6.9% | 6.0% | 5.2% |
| Foreign Credit | 270 | 285 | 302 | 338 | 371 |
| (Y-o-Y change) | 21.8% | 25.0% | 25.1% | 33.1% | 37.3% |

Source: CBUAE.

Note: Data as end of the period.

Table 3.2. Total Deposits (AED billion)

| | Q1 2024 | Q2 2024 | Q3 2024 | Q4 2024 | Q1 2025 |
|------------------------------|--------------|--------------|--------------|--------------|--------------|
| Bank Deposits | 2,657 | 2,693 | 2,761 | 2,847 | 2,936 |
| (Y-o-Y change) | 15.2% | 13.0% | 14.1% | 12.9% | 10.5% |
| Resident Deposits | 2,436 | 2,471 | 2,548 | 2,603 | 2,688 |
| (Y-o-Y change) | 16.4% | 13.8% | 14.2% | 12.2% | 10.3% |
| Non-Resident Deposits | 221 | 222 | 213 | 246 | 249 |
| (Y-o-Y change) | 3.6% | 5.1% | 12.3% | 21.9% | 12.5% |

Source: CBUAE.

Note: Data as end of the period.

Table 3.3. UAE Financial Soundness Indicators

| | Q1 2024 | Q2 2024 | Q3 2024 | Q4 2024 | Q1 2025 |
|--|------------|------------|------------|------------|------------|
| Capital Adequacy | | | | | |
| Capital Adequacy Ratio | 18.0% | 18.3% | 18.6% | 17.8% | 17.6% |
| Tier 1 Capital Ratio | 16.7% | 17.0% | 17.2% | 16.4% | 16.2% |
| Common Equity Tier 1 Ratio | 15.0% | 15.3% | 15.5% | 14.7% | 14.7% |
| Liquidity and Funding | | | | | |
| Advances to the Stable Resources Ratio | 72.4% | 72.6% | 72.9% | 72.2% | 72.8% |
| Loan-to-deposit Ratio | 77.0% | 78.0% | 78.3% | 76.6% | 76.3% |
| Eligible Liquid Assets Ratio | 20.3% | 20.6% | 21.2% | 21.3% | 21.4% |
| Asset Quality | | | | | |
| Net Non-Performing Loans Ratio | 2.3% | 2.3% | 2.3% | 2.0% | 1.8% |
| Non-Performing Loans Ratio | 5.6% | 5.4% | 5.2% | 4.7% | 4.3% |

Source: CBUAE.

Note: Data as end of the period.

III.3. Financial Developments

| | | |
|--|---|---|
| In Q1 2025, share prices in Dubai rose by 22.6% Y-o-Y and in Abu Dhabi by 1.9% Y-o-Y | CDS premiums for Abu Dhabi and Dubai slightly declined in Q1 2025 compared to Q1 2024 | CBUAE Credit Sentiment Survey showed continued strong momentum in Q1 2025 |
|--|---|---|

Equity Markets

The Abu Dhabi Securities Market General Index (ADX) rose by 1.9% Y-o-Y in Q1 2025. Market capitalisation recovered to an average of AED 2.96 trillion, driven by a rise in share prices of some major companies, which constitute 25% of the total freely tradeable shares. The Dubai Financial Market (DFM) General Index rose by 22.6% Y-o-Y in the first quarter of 2025. Market capitalisation rose to an average of AED 912 billion, attributed to the continued rise in share prices during this period.

Credit Default Swaps (CDS)

The CDS spreads for the government of Abu Dhabi fell from 42.5 bps in Q4 2024 to 39.2 bps in Q1 2025. Abu Dhabi CDS levels continue to remain very low, a testament to its low-risk economy, strong fiscal position, and significant buffers on sovereign wealth funds' balance sheets. Abu Dhabi continues to have one of the lowest CDS premiums in the Middle East and Africa region. Dubai's CDS also decreased from 62.4 bps in Q4 2024 to 59.2 bps in Q1 2025, continuing to hold low CDS spreads.

The CBUAE Credit Sentiment Survey

Robust credit conditions persisted into early 2025, characterised by sustained demand growth and solid lending appetite. Compared to late 2024, demand growth for both business and personal loans is stronger, and financial institutions appear willing to meet such demand. Survey results suggest that solid economic conditions, growth in income and a robust investment climate continue to support growth in lending. At the same time, more favourable interest rates have also supported credit sentiment. Over the near term, credit sentiment is positive and should help support ongoing credit growth.

Table 3.4 UAE Equity Markets

| | | | Q1-2024 | Q2-2024 | Q3-2024 | Q4-2024 | Q1-2025 |
|-----------------------------|------------------------|-----------|---------|---------|---------|---------|---------|
| Abu Dhabi Securities Market | Share Price Index* | Y-o-Y (%) | -3.8 | -6.1 | -4.5 | -1.8 | 1.9 |
| | Market Capitalisation* | AED bn. | 2865 | 2754 | 2860 | 2931 | 2959 |
| | | Y-o-Y (%) | 10.5 | -0.01 | 0.6 | 1.7 | 3.2 |
| | Traded Value** | AED bn. | 67 | 60 | 77 | 75 | 83 |
| | | Y-o-Y (%) | -21.5 | -5.9 | 9.3 | 13.8 | 23.9 |
| Dubai Financial Market | Share Price Index* | Y-o-Y (%) | 25.4 | 11.5 | 6.4 | 22.4 | 22.6 |
| | Market Capitalisation* | AED bn. | 723 | 686 | 733 | 821 | 912 |
| | | Y-o-Y (%) | 22.8 | 8.7 | 6.3 | 22.2 | 26.1 |
| | Traded Value** | AED bn. | 24 | 22 | 24 | 33 | 40 |
| | | Y-o-Y (%) | 27.5 | -18.4 | -21.3 | 51.4 | 64.9 |

Source: Securities and Commodities Authority.
Notes: * Denotes averages for the period, ** Denotes end-of-period values.

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

| | 2023 | 2024 | | | | 2025 |
|-----------|------|------|------|------|------|------|
| | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 |
| Abu Dhabi | 44.4 | 39.9 | 40.9 | 39.8 | 42.5 | 39.2 |
| Dubai | 71.4 | 65.3 | 65.3 | 62.0 | 62.4 | 59.2 |

Source: Bloomberg.

III.4. Insurance Sector Developments

In Q1 2025, gross written premiums, number of insurance policies and gross paid claims increased by 13.8 %, 17.4 %, and 18.3%, respectively

Total technical provisions and total equity showed, respectively, an increase of 18.7% and 10.5% in Q1 2025

The insurance sector remained well capitalised in Q1 2025, with healthy capital adequacy and return on average assets

Insurance Sector Structure and Activity

The UAE insurance sector continued to grow in Q1 2025 in terms of written premiums, Technical Provisions, claims paid and equity. The sector demonstrated well-capitalised, with healthy capital adequacy ratios and return on assets.

The number of licensed insurance companies in the UAE is 59, comprising 23 traditional national and 10 takaful national companies, and 25 branches of foreign insurance companies and one branch of a foreign reinsurance company operating in the UAE. The number of insurance-related professions increased to 504.

Key Performance Indicators

The Gross Written Premiums increased by 13.8% Y-o-Y to AED 23.9 billion in Q1 2025, mostly due to an increase in health insurance premiums by 14.2%, property and liability insurance premiums by 13.9%, and insurance of persons and fund accumulation premiums by 11.1%, resulting primarily from an increase in individual life insurance premiums.

Gross paid claims of all types of insurance plans increased by 18.3% Y-o-Y to AED 11.0 billion in Q1 2025, comprised health insurance claims to AED 6.0 billion, property and liability insurance claims to AED 4.5 billion, and insurance of persons and fund accumulation claims to AED 0.5 billion.

In Q1 2025, the total technical provisions⁹ increased by 18.7% Y-o-Y to AED 100.1 billion. The volume of invested assets in the insurance sector was AED 71.6 billion (50.4 % of total assets) compared to AED 78.5 billion (53.6 % of total assets) during the same period in 2024. The retention ratio¹⁰ of written insurance premiums was 50.8% (AED 12.1 billion) in Q1 2025, slightly down from 53.0% (AED 11.1 billion) in the previous year.

Insurance Soundness Indicators

The UAE insurance sector remained well-capitalised. Concerning the various capital adequacy ratios, the own funds¹¹ to Minimum Capital Requirement ratio increased to 393.2% in Q1 2025, compared to 365.8% in Q1 2024; as a result of an increase in own funds eligible to meet minimum capital requirements, the own funds to Solvency Capital Requirement ratio increased to 204.1% in Q1 2025 compared to 193.8% in Q1 2024, and the own funds to Minimum Guarantee Fund ratio was 294.7% in Q1 2025 compared to 297.5% in Q1 2024.

In terms of profitability, the net total profit to net written premiums ratio reached 7.3% in Q1 2025. The return on average assets ratio was 0.8% in Q1 2025 compared to 0.6% in Q1 of the previous year.

⁹ 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.

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

| | 2024 | | | | 2025* |
|---------------------------------|-------|-------|-------|------------|-------|
| | Q1 | H1 | Q1-Q3 | Full Year* | Q1 |
| 1- Gross Written Premiums | 21.0 | 35.7 | 50.8 | 64.8 | 23.9 |
| • Property & Liability | 7.9 | 13.8 | 20.9 | 26.6 | 9.0 |
| • Health Insurance | 11.3 | 18.3 | 24.4 | 30.7 | 12.9 |
| • Persons and Fund Accumulation | 1.8 | 3.6 | 5.5 | 7.5 | 2.0 |
| 2- Gross Claims Paid | 9.3 | 18.9 | 29.9 | 42.9 | 11.0 |
| • Property & Liability | 2.6 | 5.7 | 9.5 | 11.4 | 4.5 |
| • Health Insurance | 5.2 | 10.7 | 16.5 | 24.9 | 6.0 |
| • Persons and Fund Accumulation | 1.5 | 2.5 | 3.9 | 6.6 | 0.5 |
| 3- Technical Provisions | 84.3 | 94.2 | 97.2 | 95.7 | 100.1 |
| 4- Total Invested Assets | 78.5 | 78.7 | 83.2 | 74.2 | 71.6 |
| 5- Total Assets | 146.4 | 154.8 | 159.6 | 144.4 | 142.1 |
| 6- Total Equity | 28.6 | 28.0 | 30.1 | 32.1 | 31.6 |

Source: CBUAE.
Notes: * Preliminary data, cumulative at end of period

Table 3.7 Insurance Soundness Indicators (%)

| Description | 2024 | | | | 2025* |
|---|-------|-------|-------|------------|-------|
| | Q1 | H1 | Q1-Q3 | Full Year* | Q1 |
| 1- Reinsurance ratio | | | | | |
| Retention ratio | 53.0 | 53.1 | 53.8 | 54.3 | 50.8 |
| 2- Capital Adequacy Ratios | | | | | |
| Own funds to Minimum Capital Requirement (MCR) | 365.8 | 376.0 | 389.2 | 378.8 | 393.2 |
| Own Funds to Solvency Capital Requirement (SCR) | 193.8 | 185.8 | 198.5 | 210.9 | 204.1 |
| Own Funds to Minimum Guarantee Fund (MGF) | 297.5 | 286.7 | 288.9 | 293.2 | 294.7 |
| 3- Earnings Ratios | | | | | |
| Net total profit to net written premiums | 7.6 | 6.0 | 7.1 | 4.0 | 7.3 |
| Return on average assets | 0.6 | 0.7 | 0.5 | 0.3 | 0.8 |

Source: CBUAE.
Notes: *Estimated data

¹⁰ The retention ratio is calculated as the ratio of net written premium to gross written premium.
¹¹ 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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