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

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Quarterly Economic Review

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List of Abbreviations

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

Executive Summary

The global economy is projected to grow by 3.3% in 2025, according to the latest IMF forecast, marking a marginal 0.1 percentage points upward revision from the previous estimate. The IMF has also raised its US GDP growth forecast to 2.7% for 2025, citing strong consumer spending and investment despite a softening labour market. However, growth is expected to moderate toward its potential rate by 2026. For other advanced economies, growth is projected to average 1.9% in 2025, with the euro area lagging at 1.0% due to manufacturing weaknesses. Meanwhile, growth in emerging markets and developing economies is expected to remain steady at 4.2% in 2025, with a slight increase to 4.3% in 2026, supported by Asia's resilience but constrained by structural challenges, climate shocks, and regional instability.

Global inflation is steadily easing, driven by unwinding supply-side pressures, softening labour markets, and goods price disinflation. Central banks in advanced economies have slowed the easing cycle as persistent price pressures in transportation and housing are preventing inflation from falling more rapidly. After 100 basis points (bps) of cuts in late 2024, the US Federal Reserve (Fed) held the Fed Funds rate target range steady at 4.25%-4.50%. Others, such as the ECB, have continued cutting rates to prop up flagging aggregate demand. With mixed labour market signals and ongoing policy uncertainties - such as US tariffs and retaliatory tariffs - central banks are maintaining a cautious, data-driven approach, to rate adjustments. The trajectory of financial conditions will remain contingent on future economic developments, including the evolution of inflation, labour market dynamics, and global geopolitical risks.

The UAE's non-oil trade exceeded AED 2.0 trillion in the first nine months of 2024, equivalent to 135% of GDP. This corresponds to a 14.9% year-on-year (Y-o-Y) surge, reflecting the successful implementation of the UAE's economic diversification plans and strengthening ties with its key trading partners. This robust performance, boosted by comprehensive economic partnership agreements, is expected to continue through 2025 and 2026, supporting real GDP growth projections of 4.7% in 2025 and accelerating to 5.7% in 2026. While OPEC+ decisions on oil production quotas will influence overall growth, the non-hydrocarbon sector remains robust, with forecasted growth of 5.1% and 4.8% in 2025 and 2026, respectively. The hydrocarbon sector is also accelerating due to the expected gradual lifting of oil production cuts starting in Q2 2025 and the full recovery of oil production, coupled with the developments in the natural gas sector next year.

Inflation in the UAE remained well-controlled at 1.7% in 2024, substantially below the global average of 5.7%, mainly due to lower tradeable inflation. The CBUAE maintained its inflation forecast for 2025 unchanged at 2.0%, significantly below the world average, with the non-tradable components of the consumer basket expected to be the main drivers. The inflation projection for 2026 also remained unchanged at 2.1%, primarily influenced by non-tradeable components and external factors.

The residential market in Abu Dhabi in 2024 experienced a 6.1% decline in the number of apartment and villa sales, after a record growth of 67% in the previous year. In Dubai, residential sales continued their upward trajectory with a 42.5% increase in the number of apartment and villa sales transactions. Rental transactions increased in both Abu Dhabi and Dubai, by 1.9% and 0.6%, respectively.

In 2024, Dubai further established itself as a premier tourism destination worldwide, achieving a hotel occupancy rate of 78% and a 9% Y-o-Y rise in overnight visitors, totalling 18.7 million. This growth made a notable impact on the non-oil economy. At the same time, the UAE's transportation industry demonstrated solid performance during the first nine months of 2024, with a 7.9% increase compared to the previous year. These developments emphasise the UAE's growing influence in global tourism and aviation.

In line with the Fed's monetary easing cycle, the CBUAE cut its key policy rate (Base Rate) by 50 bps in Q4 to 4.40%. The Dirham Overnight Interest Average (DONIA) rate remains around 12 basis points below the Base Rate, reflecting sustained excess reserves. The banking sector's robust 12.9% Y-o-Y deposit growth in Q4 2024 further supported favourable funding and liquidity conditions. Loan portfolios also continued to expand, growing by 9.5% Y-o-Y at the end of Q4 2024, primarily driven by domestic lending. The UAE banking system remains resilient, underpinned by adequate capital, liquidity, and funding buffers.

In Q4 2024, Dubai Financial Market's share price index rose by 22.4% Y-o-Y, while the Abu Dhabi Securities Market General Index fell by 1.8% Y-o-Y. Credit Default Swaps (CDS) premia for Abu Dhabi and Dubai remained low, underscoring UAE's strong economy, robust fiscal position and large sovereign wealth funds. The insurance sector demonstrated robust growth, with gross written premiums increasing by 21.4% Y-o-Y and gross paid claims rising by 35.8% Y-o-Y in 2024. Technical provisions also grew by 25.6% Y-o-Y, and the sector maintained healthy capital adequacy and earnings ratios, reflecting its strong capitalisation.

The cut-off date of this report is mid-February 2025.

Chapter 1

International Economic Developments and UAE External Sector

Global economic growth is expected to remain steady at 3.3% in 2025 and 2026

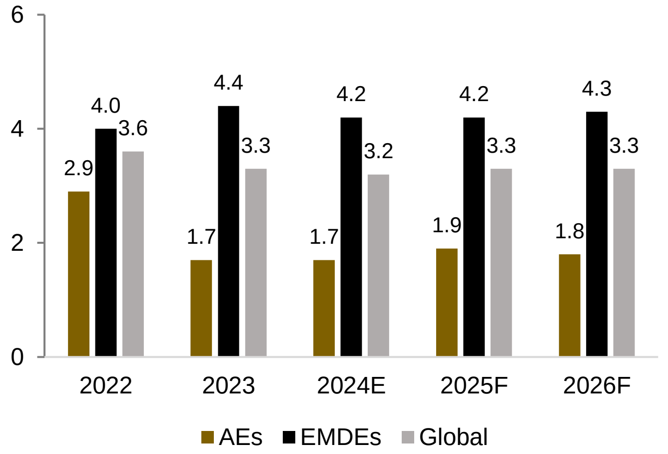
Growth in advanced economies is projected to grow steadily by 1.9% in 2025 and 1.8% next year

Growth in emerging markets is expected to be stable at 4.2% in 2025 and 4.3% in 2026, while the GCC's growth is forecasted to rebound from 1.7% in 2024 to 3.5% in 2025 and further to 4.5% next year

Global Economy

The global economy is projected to grow by 3.3% in 2025 by the International Monetary Fund (IMF) in its January 2025 World Economic Outlook (WEO) Update. This reflects a slight upward revision of 0.1 percentage points from the previous forecast. For 2026, the IMF kept its global growth forecast unchanged for 2026 at 3.3%. Projected global growth remains below the historical average of 3.7% between 2000 and 2019. This lower global growth outlook is broadly attributed to the lagged effects of tight monetary and fiscal policies and weakness in manufacturing and goods exports in advanced economies, particularly in the euro area. The global economic outlook is subject to various downside risks, including heightened policy uncertainty, such as protectionist policies, fiscal consolidation, energy sector adjustments in Europe and the fragile real estate sector in China.

Figure 1.1 Global Real GDP Growth (%)



Source: International Monetary Fund, World Economic Outlook - January 2025 Update.
Notes: E=estimate, F=forecast, AEs= Advanced Economies, EMDEs= Emerging Markets and Developing Economies.

Advanced Economies

After growth of 1.7% in 2024, advanced economies are expected to grow by 1.9% in 2025 and 1.8% in 2026, albeit with divergent growth trajectories across the various economies.

The US growth forecast for 2025 has been revised up by 0.5 percentage points from the October forecast to 2.7%, mainly due to the robust labour market, accelerating investment and stronger-than-expected domestic demand. Robust consumer spending, sustained by solid incomes and wealth effects, along with easing monetary conditions, contributed to the pick-up in the forecast. Policy expectations, including potential tax cuts and deregulation under the new administration, further support the upward shift. However, GDP growth is expected to moderate to its potential in 2026, though it will be subject to uncertainties from tariffs in the US.

Following a low growth of 0.4% in 2023, growth in the euro area is estimated to have picked up to 0.8% in 2024 and is expected to accelerate further in 2025. However, the IMF has revised its 2025 forecast for the region downward by 0.2 percentage points to 1.0%, reflecting weaker sentiment at the end of 2024, specifically in the manufacturing sector, coupled with current economic policy uncertainty, particularly around international trade. In 2026, growth is projected to reach 1.4%, driven by improved domestic demand based on favourable financial conditions and tapered uncertainty. In the United Kingdom (UK), growth is projected to pick up from 0.9% in 2024 to 1.6% in 2025, driven by domestic consumption. For 2026, growth is projected to slightly decrease to 1.5%.

In Japan, economic growth is estimated to have shrunk by 0.2% in 2024 due to supply disruptions. However, growth is projected to recover to 1.1% and 0.8% in 2025 and 2026, respectively, driven by increases in private consumption and real wages.

Table 1.1 Real GDP Growth in Advanced Economies (%)

	2022	2023	2024E	2025F	2026F
Global	3.6	3.3	3.2	3.3	3.3
AEs	2.9	1.7	1.7	1.9	1.8
US	2.5	2.9	2.8	2.7	2.1
Euro area	3.3	0.4	0.8	1.0	1.4
UK	4.8	0.3	0.9	1.6	1.5
Japan	1.2	1.5	-0.2	1.1	0.8

Sources: International Monetary Fund, World Economic Outlook – January 2025 Update.
Notes: E=estimate, F=forecast, AEs=Advanced Economies.

Emerging Markets and the GCC Economies

Growth in emerging markets and developing economies (EMDEs) is projected to remain steady at 4.2% in 2025. The IMF revised its growth forecast for 2026 upward to 4.3% from the previous estimate of 4.2%. These forecasts are broadly aligned with growth rates recorded in the previous years, reflecting resilience amid global headwinds. Although the projected growth is higher than the global average, it is divergent across regions.

Particularly, growth in emerging and developing Asia is projected to slow to 5.1% in 2025 and remain at that level in 2026, slightly above the previous forecast.

China's growth forecast for 2025 has been slightly revised upward from 4.5% to 4.6%, while the forecast for 2026 has been raised from 4.1% to 4.5%. This upward revision is mainly due to carryover from the previous year and the fiscal package announced in the last quarter of 2024, which broadly offset subdued investment. The robust growth forecasted next year is primarily attributed to an expected easing of trade policy uncertainty and deceleration in the decline of labour supply owing to the decision on the gradual increase in retirement age effective from January 2025.

India's growth is projected at 6.5% this year, the same rate as in 2024, and is expected to remain stable in 2026 aligning with its potential growth.

In Latin America and the Caribbean, growth is forecasted to increase slightly from 2.4% in 2024 to 2.5% in 2025, despite an expected slowdown in the region's largest economies, such as Brazil and Mexico, in 2025. The growth rate is projected to accelerate to 2.7% in 2026.

Growth in emerging and developing Europe is expected to slow down to 2.2% in 2025 before accelerating to 2.4% in 2026.

Economic growth in the GCC region is forecasted to significantly increase from an estimated 1.7% in 2024 to 3.5% in 2025, although it is about 0.6 percentage points lower than the previous forecasts, due to the extension of the OPEC+ production cuts until April. However, stronger growth in non-oil activities, primarily driven by the financial services, manufacturing, trade and tourism sectors, continues to gain momentum, supported by economic reforms aimed at diversifying the region’s non-hydrocarbon economy. Public sector investment has played a key role in driving non-oil sector diversification. In 2026, growth is expected to accelerate significantly to 4.5%, driven by a recovery in oil production and base effects.

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

	2022	2023	2024E	2025F	2026F
EMDEs	4.0	4.4	4.2	4.2	4.3
Brazil	3.0	3.2	3.7	2.2	2.2
China	3.0	5.2	4.8	4.6	4.5
India	7.0	8.2	6.5	6.5	6.5

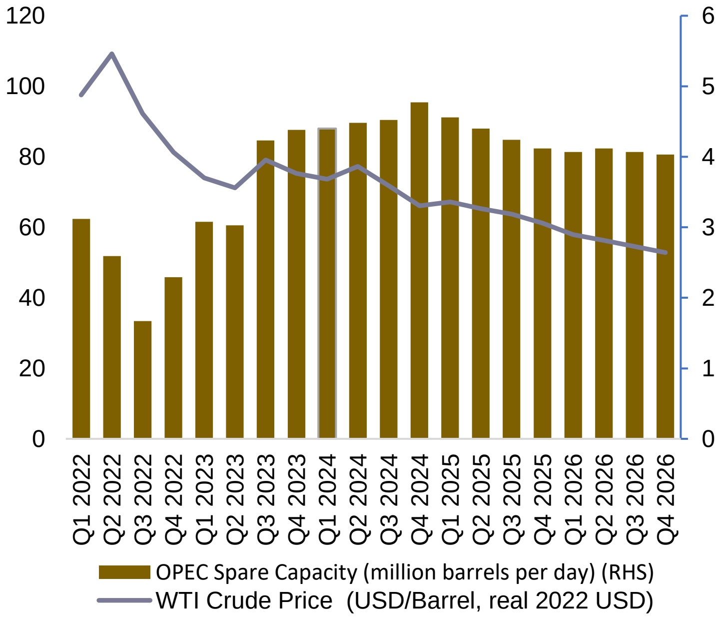
Source: International Monetary Fund, World Economic Outlook - January 2025 Update.
Notes: E=estimate, F=forecast, EMDEs=Emerging Markets and Developing Economies.

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

	2022	2023	2024E	2025F	2026F
GCC	7.1	0.4	1.7	3.5	4.5
UAE	7.5	3.6	3.9	4.7	5.7
Saudi Arabia	7.5	-0.8	1.4	3.3	4.1
Qatar	4.2	1.2	1.5	1.9	5.8
Kuwait	5.9	-3.6	-2.7	3.3	2.5
Oman	9.6	1.3	1.0	3.1	4.4
Bahrain	6.0	3.0	3.0	3.2	2.9

Sources: CBUAE; International Monetary Fund, World Economic Outlook - January 2025 Update.
Notes: E=estimate, F=forecast. *Federal Competitiveness and Statistics Centre for 2022-23 and CBUAE for 2024-26. 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 5.8% in 2024 to 4.2% in 2025 and to 3.5% in 2026	Inflation trends vary across regions, with advanced economies experiencing mixed dynamics	Several central banks continued to cut interest rates in response to declining inflation rates

Global Inflation

Global inflation continues to decline. According to the IMF's January 2025 WEO Update, global inflation is projected to fall from 5.8% in 2024 to 4.2% in 2025 and further to 3.5% in 2026. This downward trend reflects the unwinding of supply-side pressures, including those from geopolitical disruptions, stronger disinflation in good prices, and monetary policy adjustments by central banks worldwide.

Advanced Economies' Inflation

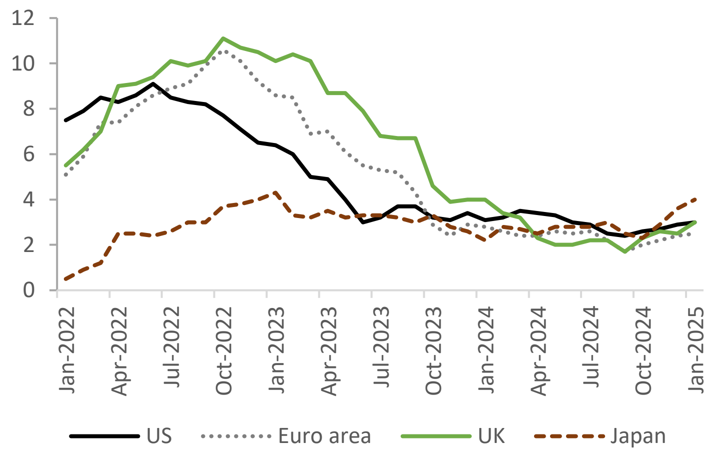
In the US, headline CPI inflation rose to 3.0% Y-o-Y in January 2025. Resilient consumer demand and unemployment remaining steady at around 4% have prevented inflation from declining more rapidly, though wage growth is moderating. The Fed maintained its policy rate at 4.25%-4.50% in its January meeting, citing a strong economy and a firm labour market with "somewhat elevated" inflation in an uncertain policy environment. Uncertainty regarding the implications of new presidential policies, including potential increased tariffs and shifts in the fiscal policy, introduces upside risks to inflation. Additionally, still-elevated inflation levels may prompt the FED to maintain its cautious approach to rate cuts.

The annual inflation rate in the euro area rose to 2.5% Y-o-Y in January 2025, with the biggest upward pressure coming from an increase in energy prices. The European Central Bank (ECB) cut interest rates in January for the fourth time in 2025 by 25 bps to 2.75%, citing an uncertain economic outlook and moderating inflation. Markets are currently pricing in an additional 75 bps of rate cuts in 2025, which would bring the deposit rate down to 2.00%.

UK inflation rose sharply to 3.0% in January, driven by airfares not falling as much as usual in December, partly due to the timing of flights over Christmas and the New Year. The Bank of England cut rates by 25 bps in November 2024, held rates in December and then cut them by another 25 bps to 4.5% in February 2025. The Bank of England expects the UK to narrowly avoid falling into recession, suggesting that further rate cuts may be expected throughout the year.

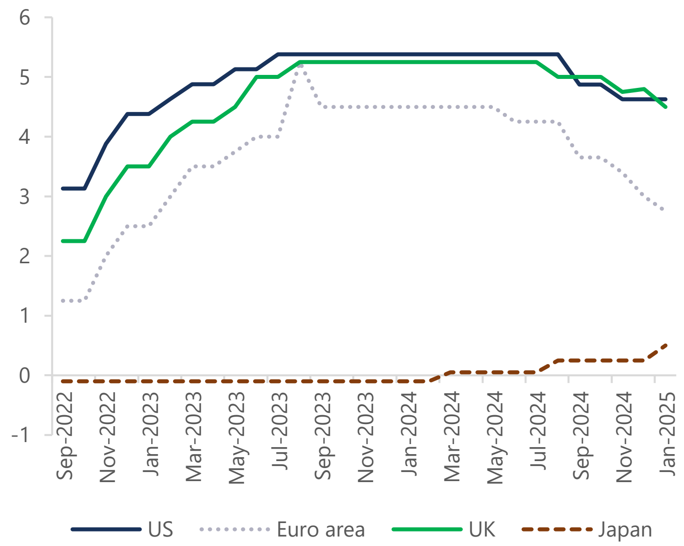
Japan's headline inflation climbed 4.0% Y-o-Y in January, hitting its highest level since January 2023, further strengthening the case for rate hikes by the country's central bank. The Bank of Japan (BoJ) raised its policy rate by 25 bps to 0.5% in January. Another rate hike is likely this year, most likely during the third quarter, bringing the rate to 0.75%.

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' Inflation

China's inflation rose to 0.5% Y-o-Y in January 2025, up from 0.1% in December 2024, driven by Lunar New Year demand, government stimulus, and a rebound in food prices. The increase reflects improving domestic demand but also signals potential cost pressures that could influence future monetary policy decisions. The PBoC kept its one-year loan prime rate unchanged at 3.1% for the third consecutive month, as concerns over CNY stability and external risks limited further easing.

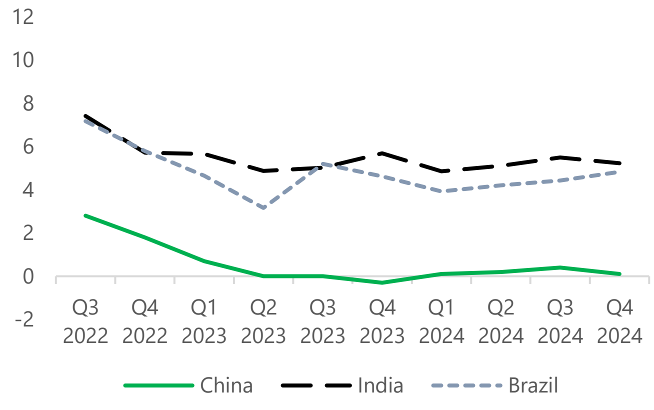
India's annual inflation fell to 4.3% Y-o-Y in January 2025, down from 5.2% in December 2024, coming in below market expectations of 4.6%. The decline was driven by a slowdown in food inflation, particularly vegetables. In its February 2025 monetary policy meeting, the Reserve Bank of India (RBI) unanimously cut its key repo rate by 25 bps to 6.25%, marking the first reduction since May 2020, citing slowing economic growth and rising global trade uncertainty.

Brazil's inflation edged down to 4.6% Y-o-Y in January 2025, from 4.8% in December 2024. Inflationary pressures persisted in transportation and airfares, while food and electricity prices declined due to tariff adjustments. The Central Bank of Brazil hiked the policy rate by 100 bps to 13.25% in January 2025, indicating persistent inflation risks and resilient economic activity. Another 100-bps hike is anticipated in March amid concerns over services inflation and currency depreciation.

Inflation across the GCC remained contained in 2024, with varied drivers across countries, reflecting a mix of sector-specific pressures and policy effects. In January 2025, Qatar's inflation stood at 1.3% Y-o-Y, driven by a sharp increase in recreation costs, while housing moderately declined. Bahrain's inflation stood at 1.8% Y-o-Y in January 2025, led by rising food and hospitality costs. Kuwait's inflation remained steady at 2.5% Y-o-Y, while Saudi Arabia's inflation also held steady at 2.0% Y-o-Y in January 2025, driven by a spike in rent and utilities prices. Oman recorded the lowest inflation at 1.0% Y-o-Y in January 2025, as food prices rose marginally while transport costs fell. Despite regional variations, inflationary pressures remained largely moderate, supported by stable economic conditions and targeted policy measures.

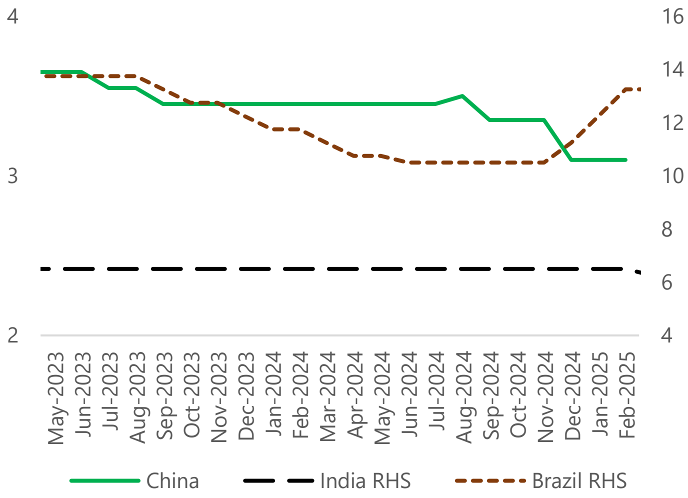
In December 2024, GCC central banks, whose currencies are pegged to the USD, adjusted their policy rates in alignment with the Fed. The Saudi Central Bank reduced its repo rate by 25 bps to 5%, mirroring a similar cut the previous month. Qatar implemented a more pronounced reduction of 30 bps to 4.85%, while Oman and Bahrain maintained their benchmark rates at 5% and 5.25%, respectively. Kuwait, held its rate steady at 4%, unchanged since the cut in September 2024. In January's meeting, the central banks held rates in line with the Fed.

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



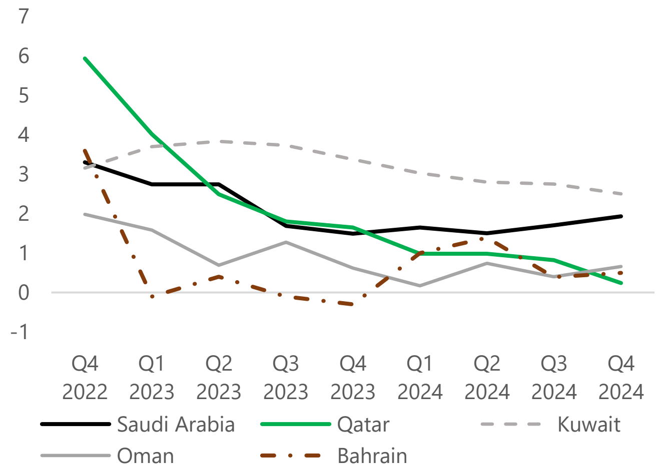
Sources: Bloomberg, Global Source Partners.

Figure 1.6 Policy Rates in Selected Emerging Economies (%)



Source: Bloomberg.

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



Sources: Bloomberg.

I.3. Global Markets' Developments

Global financial conditions remain loose, yet pressures are building in some region	Commodity prices increased amid geopolitical tensions and trade uncertainties	Growth in non-oil foreign trade of goods remained robust

Global Financial Conditions

Global financial conditions remain broadly accommodative, though some economies are experiencing tightening pressures from shifting market sentiment. In advanced economies, equity markets had seen significant gains earlier in the year, particularly in the US, fuelled by optimism over anticipated tax cuts and deregulation following the 2024 election, despite the Fed's cautious rate cuts since late 2024. Meanwhile, emerging markets are grappling with a stronger US dollar, driven by expectations of sustained higher US rates and looming trade policy shifts, such as potential tariffs. This dollar strength has triggered currency depreciation in several emerging economies, exacerbated by fiscal concerns, fuelling capital outflows and market volatility. The growing divergence in monetary policy approaches between the US and other economies has intensified these pressures, further constraining financial conditions outside advanced markets.

In the US, financial conditions remain relatively accommodative, supported by expectations of policies that favour businesses. Uncertainty around fiscal and trade policies, alongside persistent inflation risks, continues to shape market sentiment. Investors remain cautious, as unexpected policy shifts could influence capital flows, asset prices, and overall financial stability.

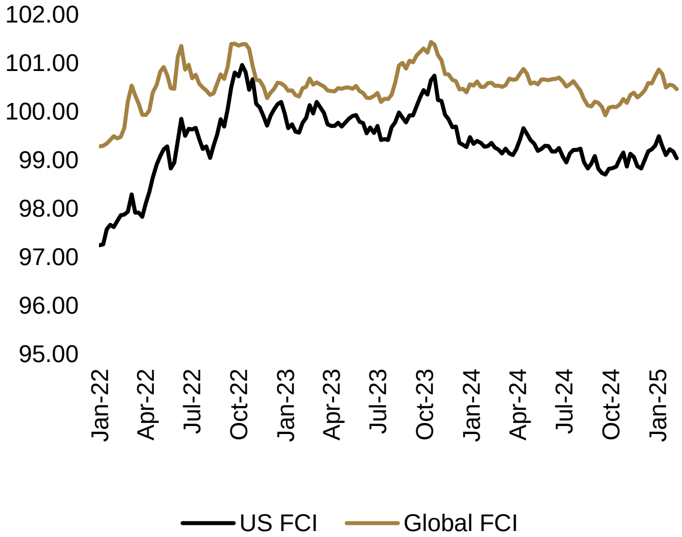
Overall, US markets continue to benefit from policy optimism, while emerging markets face growing pressure from trade uncertainty and currency fluctuations. Diverging monetary policies, geopolitical risks, and shifting investor sentiment increase the risk of market repricing, which could lead to the tightening of global financial conditions.

Commodities

Brent crude oil prices climbed to USD 79.2 per barrel in January from USD 73.8 in December, driven by concerns over short-term supply disruptions and improving demand expectations. Oil-related sanctions will cause uncertainty, while optimism over China's economic recovery provided additional support. In recent months, natural gas prices have been volatile, surging to USD 4.1 per MMBtu in January 2025, a marked jump from USD 2.1 in November and surpassing USD 2.3 in September.

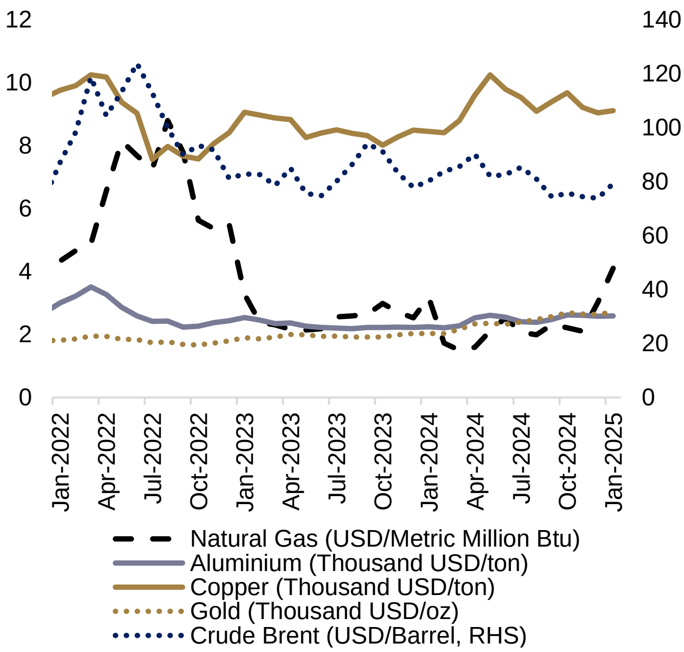
Gold prices rose in January 2025 as investors sought safe-haven assets amid geopolitical uncertainty and concerns over US trade policies. Increased central bank purchases in emerging markets further supported prices. Gold surged to an all-time high, surpassing USD 2,700 per ounce, reflecting a 33.4% Y-o-Y increase. Copper and aluminium prices rose 7.9% and 15.6% Y-o-Y, respectively, driven by market shifts from surplus to deficit, escalating trade tensions, and concerns over tariffs and sanctions impacting global demand.

Figure 1.8 Financial Conditions Indices



Source: Goldman Sachs.

Figure 1.9 Commodity Prices



Sources: Bloomberg, US Energy Information Administration.

In January 2025, the UN Food and Agriculture Organization (FAO) Food Price Index rose 6.2% Y-o-Y, driven by higher dairy prices, which reached their highest level since January 2023, along with stronger cereal demand. In Q4 2024, food prices fluctuated, with vegetable oils and sugar declining, while dairy and meat prices provided upward pressure, contributing to the overall annual increase.

UAE's International Trade

UAE's non-oil foreign trade of goods in the first nine months of 2024 increased by 14.9% Y-o-Y, exceeding AED 2.0 trillion (equivalent to 135% of GDP).

Non-oil exports of the UAE increased substantially (32.9%) during the reporting period compared to the same period of the previous year, amounting to AED 396.2 billion. This increase was driven mainly by a significant increase in gold and jewellery exports. India was the UAE's top non-oil export partner, accounting for 13.5% of total non-oil exports, followed by Türkiye (9.8%) and Hong Kong SAR (9.3%). Overall, the most exported non-oil goods were gold (accounting for 48.6% of total non-oil exports), followed by jewellery (4.6%), and tobacco products (4.5%).

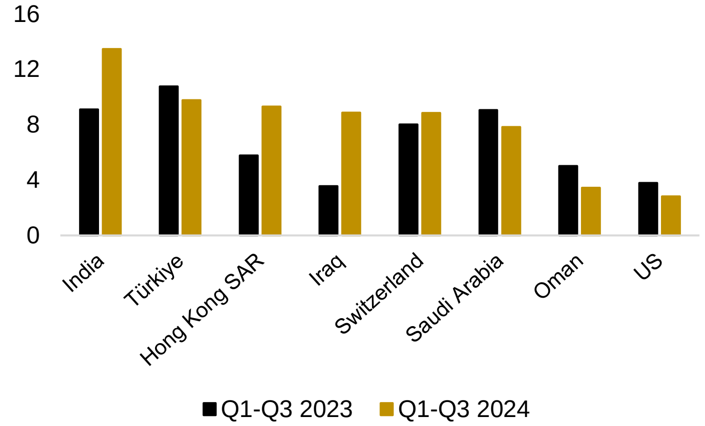
Re-exports reached AED 458.4 billion in the first three quarters of 2024. With a share of 12.4%, Saudi Arabia remained the top destination for UAE re-exports, followed by Iraq (11.0%) and India (7.1%). Telecommunications equipment dominated re-exports, accounting for 18.7% of the total, while diamonds (9.8%) and motor vehicles (6.9%) were also among the most re-exported goods.

Imports rose by 12.9% in the first nine months of 2024 compared to the same period of the previous year, reaching AED 1,177 billion. China was the UAE's largest trading import partner, accounting for 18.7% of total imports, followed by India (7.4%) and the US (5.4%). With a share of 23.5%, gold topped the list of most imported goods, while telecommunications equipment and motor vehicles were the second and the third most imported goods, with a share of 9.1% and 6.4%, respectively.

Exchange Rate

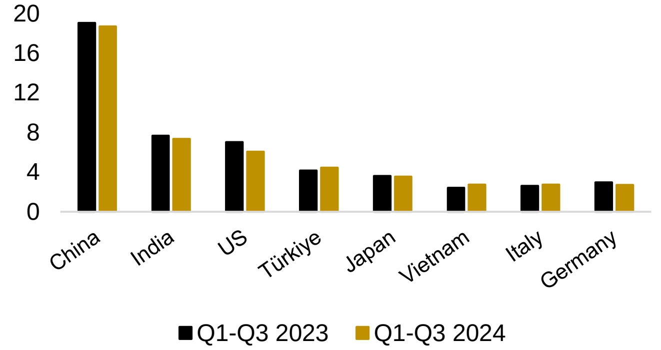
The nominal effective exchange rate (NEER), which factors in the bilateral exchange rates of the national currency against a basket of UAE's trading partners, appreciated by 2.5% Y-o-Y in December 2024 as the US Dollar Index (DXY) strengthened. Similarly, the real effective exchange rate (REER), which accounts for inflation differentials between the UAE and its trading partners, appreciated by 0.9% 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)



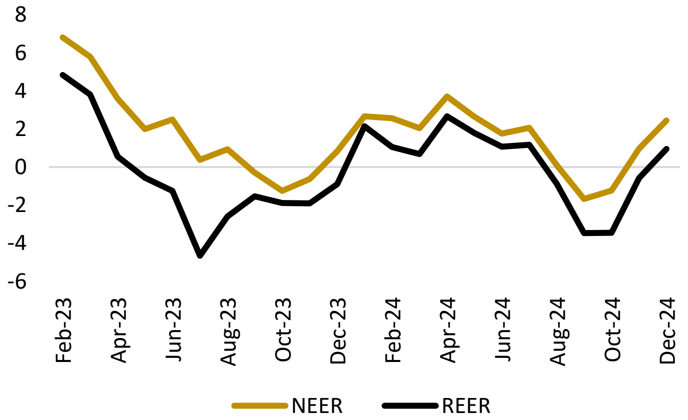
Source: Federal Competitiveness and Statistics Centre.

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: Central Bank of the UAE.
* An increase means appreciation and a decrease means depreciation

Chapter 2

Domestic Economic Developments

II.1. Economic Growth

Real GDP grew by 4.0% Y-o-Y in Q3 2024, owing to an acceleration in hydrocarbon growth	Real GDP growth is projected to rebound to 4.7% in 2025 and further accelerate to 5.7% in 2026, from an estimated growth of 3.9% growth in 2024	Non-hydrocarbon GDP growth is expected to remain robust in the near- and medium-term

Real GDP Outlook

In the third quarter of 2024, the UAE economy expanded by 4.0% Y-o-Y, slightly higher than the 3.9% Y-o-Y growth registered in Q2 2024. This increase in GDP growth was driven by accelerating hydrocarbon growth (which accounts for around 25% of GDP).

The CBUAE estimates that the UAE GDP growth rate for 2024 was 3.9%. The estimated growth was driven by tourism, transportation, financial and insurance services, construction and real estate, and communications sectors. At the same time, the non-oil hydrocarbon sector growth contributed positively. For 2025, forecasted growth has been revised up to 4.7% due to the robust non-hydrocarbon and hydrocarbon sectors. Growth is projected to be 5.7% in 2026, supported by stronger hydrocarbon growth, based on the assumption that oil production is recovered in line with OPEC+ agreement.

Nevertheless, there are considerable risks surrounding these growth forecasts. On the downside, risks stem from a potential escalation of current geopolitical tensions, a global economic deceleration resulting from an extended period of high interest rates and trade policy uncertainty, and the possible spillovers of lower oil prices on the non-hydrocarbon sector. Conversely, on the upside, the successful implementation of reforms, combined with diversification efforts, signed Comprehensive Economic Partnership Agreements, investment projects, and faster adoption of artificial intelligence in key sectors could boost economic performance.

Non-Hydrocarbon GDP

Non-hydrocarbon GDP growth was 4.7% Y-o-Y in Q3 2024, slightly down from the 4.8% Y-o-Y in the previous quarter, mainly due to the deceleration in construction, transportation and storage, and financial insurance activities, partially offset by an acceleration in manufacturing, trade and real estate activities. Despite this slight deceleration, non-hydrocarbon GDP growth is expected to remain strong at 5.1% in 2025 and 4.8% in 2026, driven by the strategic plans and policies implemented by the government to attract foreign investments and promote economic diversification. These forecasts align broadly with key national initiatives, such as Operation 300bn and the UAE Tourism Strategy 2031.

Hydrocarbon GDP

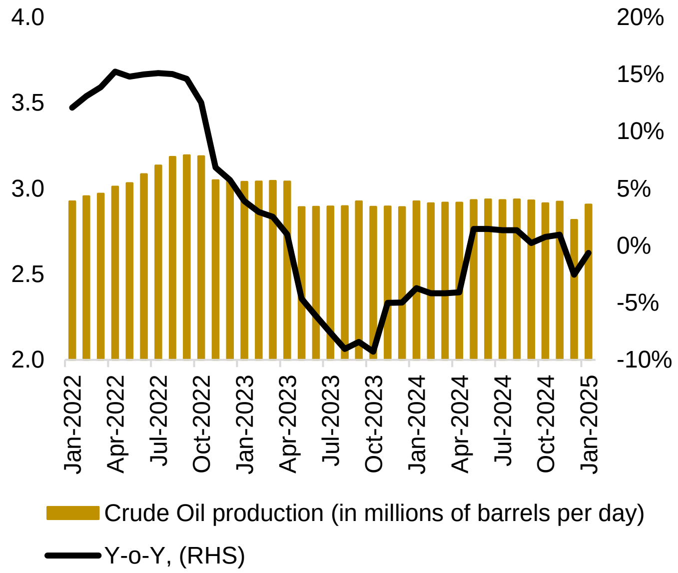
In 2024, oil production averaged 2.9 million barrels per day, marking a 1.0% decline compared to 2023. Meanwhile, in January 2025, oil production remained steady at 2.9 million barrels per day. Gas production in 2024 increased by 2.0%, mainly due to a strong base effect in the first quarter.

Table 2.1 Real GDP Growth in the UAE (%)

	2022	2023	2024E	2025F	2026F
Overall GDP	7.5	3.6	3.9	4.7	5.7
Non-hydrocarbon GDP	7.1	6.2	4.6	5.1	4.8
Hydrocarbon GDP	8.5	-3.1	1.6	3.6	8.5

Sources: Federal Competitiveness and Statistics Centre for 2022-2023, CBUAE for 2024-26.
Note: E=estimate; F=forecast

Figure 2.1 UAE Crude Oil Production



Source: Organization of Petroleum Exporting Countries.

Based on the OPEC+ meeting decision on production in March 2025, as well as ongoing and planned upstream and midstream activities in the oil and gas sector, the hydrocarbon sector is expected to grow by 3.6% in 2025, followed by a further expansion of 8.5% in 2026.

Government Investment and Consumption

The UAE's fiscal position remained strong during January–September 2024, marked by significant improvements in government revenue and fiscal surplus compared to the same period in 2023. The fiscal surplus reached AED 96.3 billion (6.5% of GDP), representing a substantial 57.5% increase from AED 61.1 billion (4.4% of GDP) recorded in the first nine months of 2023.

General government revenue grew by 9.4% Y-o-Y to AED 404.9 billion, or 27.2% of GDP. This increase was primarily driven by a robust 22.1% Y-o-Y rise in tax revenues, despite an 11.5% Y-o-Y decline in other revenue streams. Tax revenues now account for more than two-thirds of total government revenue, rising from 53.7% in January–September 2022 to 60.3% in the same period of 2023 and further strengthening to 67.3% in the first three quarters of 2024.

Government expenditure in the first nine months of 2024 totalled AED 308.6 billion (20.8% of GDP), remaining largely unchanged from AED 309.1 billion in the same period of 2023. Increased spending on compensation of employees (7.7% Y-o-Y), use of goods and services (5.5% Y-o-Y), and interest payments (14.6% Y-o-Y) was partially offset by reductions in subsidies (17.8% Y-o-Y) and other expenses (58.2% Y-o-Y).

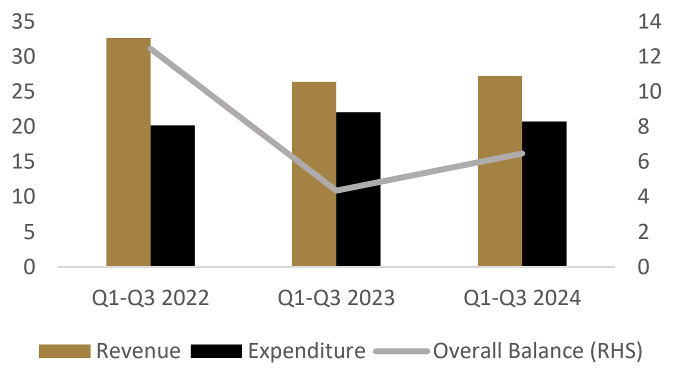
Meanwhile, general government capital expenditure increased by 15.4% Y-o-Y to AED 20.7 billion, underscoring the UAE government's commitment to advancing large-scale infrastructure projects and enhancing the country's economic and investment landscape.

Private Investment and Consumption

Economic activity in the UAE's non-oil private sector continues to expand, albeit at a slightly moderated pace. The UAE's Purchasing Managers' Index (PMI) came at 55.0 in January 2025, remaining well above the 50.0 threshold that separates growth from contraction, reflecting sustained business confidence in the country's economic outlook. In Dubai, the PMI reached 55.3 in January 2025, indicating continued growth within Dubai's non-oil private sector. This growth is underpinned by strategic diversification efforts, particularly in tourism, aviation and trade, which remain pivotal to the Emirate's economic expansion.

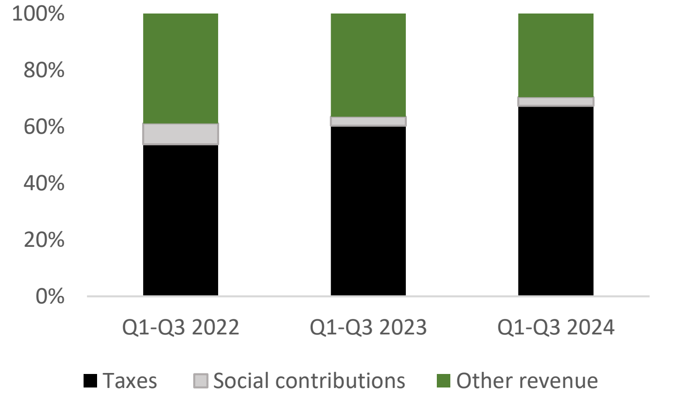
The number of employees covered by the CBUAE Wages Protection System (WPS)[2] increased by 8.4% Y-o-Y in December 2024, while the average employee salary increased by 6.7% Y-o-Y[3]. These indicators of employment and wage growth demonstrate the UAE's continued attractiveness and point to robust domestic consumption and sustainable GDP growth going forward.

Figure 2.2 Consolidated Fiscal Balance (% of GDP)



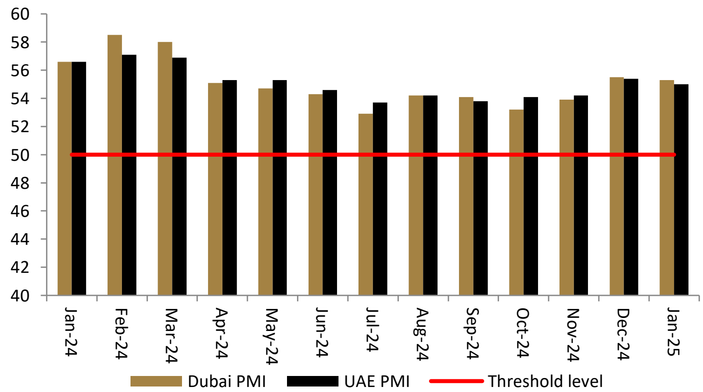
Sources: UAE Ministry of Finance; Federal Competitiveness and Statistics Centre; CBUAE.

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.

[2] Data as of 20 February 2025.

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

II.2. Sectoral Analysis

In 2024, Abu Dhabi saw correctional decline in residential sales transactions, after a record growth in the previous year, while Dubai continued its upward trajectory

Dubai welcomed 18.7 million overnight visitors in 2024, with an increase of 9% compared to the previous year

UAE's airports experienced a 10% increase in passenger traffic in 2024

This section summarises the recent developments in the real estate sector, the tourism and hospitality sector, and the transportation sector which collectively represent around 30% of the non-oil GDP.

Residential Real Estate

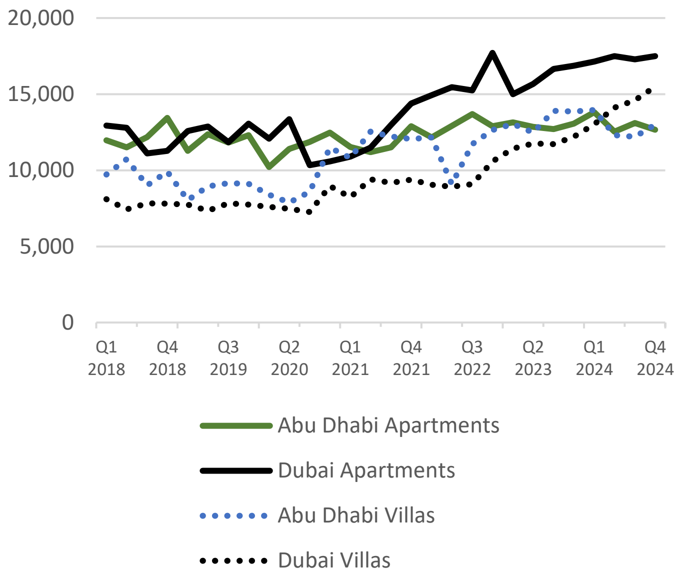
The residential real estate market in the UAE remained robust in 2024, with an increase in sales transactions demonstrating strong demand from both local and international investors.

In Abu Dhabi, residential real estate sales transactions declined by 6.1% Y-o-Y in 2024. The apartment segment showed resilience, with a 14.0% Y-o-Y increase in transactions, driven by a 55.2% Y-o-Y rise in sales of ready units, despite a 5.8% Y-o-Y decline in off-plan transactions. Conversely, villa sales dropped by 36.4% Y-o-Y, mainly due to a sharp 54.6% Y-o-Y decline in off-plan villa sales, while ready villas sales saw a 39.8% Y-o-Y increase. Median sales prices in Abu Dhabi remained largely stable, with a 0.3% Y-o-Y decline. However, off-plan apartment prices rose by 8.3% Y-o-Y, and ready villas saw a 14.4% Y-o-Y increase, indicating selective price growth in key market segments.

Dubai's sales market continued its upward trajectory, with transactions surging 42.5% Y-o-Y in 2024. The apartment segment dominated, growing by 45.5% Y-o-Y, with off-plan and ready units rising 64.5% Y-o-Y and 15.7% Y-o-Y, respectively. Villa transactions also grew by 25.3% Y-o-Y, supported by a 45.4% Y-o-Y increase in off-plan sales. Dubai's median sales prices saw an overall 8.7% Y-o-Y increase, with villa prices outperforming at 22.6% Y-o-Y growth, reflecting continued investor demand in this segment.

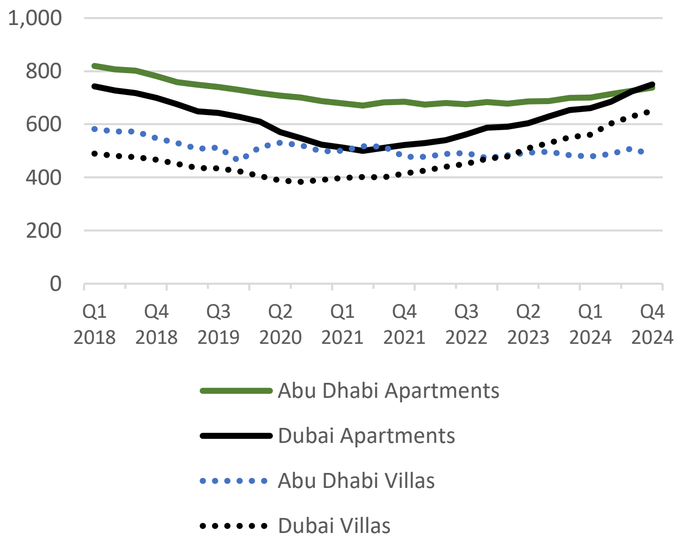
In Abu Dhabi, rental transactions increased by 1.9% Y-o-Y in 2024. Apartment rentals remained the primary driver, growing by 1.9% Y-o-Y, with renewals increasing by 6.9% Y-o-Y, while new leases declined by 6.3% Y-o-Y. Villa rentals followed a similar pattern, with total transactions rising by 2.0% Y-o-Y, supported by a 6.2% Y-o-Y increase in new leases. Median rental prices in Abu Dhabi rose by 4.4% Y-o-Y, with apartment rents increasing by 4.6% Y-o-Y, driven by a 7.3% Y-o-Y rise in new apartment rentals. However, villa rents remained relatively stable, with a 0.7% Y-o-Y increase.

Figure 2.5 Median Residential Sales Price, AED per SQM



Source: CBUAE estimates based on data from Dubai Land Department and Quanta (Abu Dhabi).

Figure 2.6 Median Residential Rent, AED per SQM



Source: CBUAE estimates based on data from Dubai Land Department and Quanta (Abu Dhabi).

Dubai's rental market showed a more moderate 0.6% Y-o-Y growth in transactions in 2024. While apartment renewals increased by 5.6% Y-o-Y, new leases declined by 5.0% Y-o-Y. Villa rentals saw a 4.4% Y-o-Y decline, primarily due to a 7.2% Y-o-Y drop in renewals. However, median rental prices in Dubai grew by 13.8% Y-o-Y, with apartment rents rising by 13.6% Y-o-Y and villa rents increasing by 18.2% Y-o-Y, reflecting strong rental demand despite the moderation in lease activity.

Tourism and Hospitality

Dubai's tourism sector continues to thrive, reinforcing its status as a leading global tourism hub. In 2024, the city attracted 18.7 million international tourists, marking a robust 9.0% Y-o-Y growth. This growth underscores Dubai's successful strategy to diversify its non-oil economy.

The hospitality sector also performed strongly, with average hotel occupancy reaching 78% in 2024, an increase from 77% in 2023. Additionally, the average revenue per available room rose by 2% over the same period. This sustained growth is driven by strategic initiatives and enhanced visitor experiences that continue to attract international tourists.

These impressive figures underscore Dubai's focus on improving connectivity which will significantly contributing to the non-oil GDP growth and creating positive spillover effects across various economic sectors.

Transportation

The UAE's aviation sector continues to demonstrate robust growth, reinforcing the country's position as a leading global aviation hub. According to the General Civil Aviation Authority, UAE's civil aviation passenger traffic reached 147.8 million in 2024, reflecting a 10% increase compared to 2023, which highlights the sector's sustainable expansion and operational efficiency.

Abu Dhabi Airports reported significant growth, handling 29.4 million passengers in 2024, a 28.1% increase compared to 2023. This growth was driven by network expansion, strategic partnerships, and a focus on delivering a world-class passenger experience. Abu Dhabi's expanding role as a leisure and business travel hub significantly contributes to the UAE's economic diversification efforts.

Meanwhile, Dubai International Airport achieved a historic milestone by welcoming 92.3 million guests in 2024, surpassing its previous record high of 89.1 million in 2018. The airport's record-breaking performance underscores Dubai's strategic importance in global aviation, supporting growth across tourism, trade, and logistics sectors.

UAE's tourism and aviation industries continue to play pivotal roles in the country's economic diversification strategy. The sustained growth in tourism and aviation reflects the success of the planned initiatives aimed at enhancing connectivity, expanding hospitality infrastructure, and promoting the UAE as a global destination for leisure and business travel.

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

Categories	Establishment Nos.	Total Available Rooms [Supply]	Average Occupancy
2024 December	832 Establishments	154,016	78%
	1%		2%
2023 December	821 Establishments	150,291	77%

Source: Dubai Department of Economy and Tourism.

II.3. Inflation

Inflation averaged 1.7% in 2024. The CBUAE maintained its projections for the UAE for 2025 and 2026 at 2.0% and 2.1%, respectively

In Q4 2024, headline inflation in the UAE decelerated to 1.0% Y-o-Y, mainly due to the decrease in prices in the transportation category

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

Inflation Outlook

The CBUAE maintained its inflation[4] forecast for 2025 unchanged at 2.0%, significantly below the world average, which will likely be driven mainly by non-tradeable components of the consumer basket, partially offset by moderating energy prices. In addition, the extension of tighter monetary policy around the world will contribute to the contained inflation rate. In 2026, inflation is expected to accelerate slightly to 2.1% mainly due to strong domestic demand and external factors.

Inflation Drivers in the UAE

Inflation in the UAE averaged 1.7% in 2024, well below the global average of 5.7%, driven primarily by low tradable inflation. Meanwhile, Dubai's inflation rate was 3.3%, and Abu Dhabi's inflation rate was 0.5% for the year 2024.

The inflation rate decelerated in Q4 2024, averaging 1.0% Y-o-Y, compared to 1.5% Y-o-Y in the third quarter. In Q4 2024, prices in all sectors except transportation, communication, furniture and household goods, and tobacco increased on an annual basis. The decrease in tradeable prices by 0.5% Y-o-Y, which represents 31.4% of the basket, was the primary offsetting factor of the headline inflation. Additionally, the 1.8% slowdown in non-tradeable prices further contributed to lower inflation in the fourth quarter.

Transportation prices, which declined by 7.8% Y-o-Y, were the main contributor behind the deceleration in the headline inflation rate in Q4 2024.

On the contrary, the prices of the housing group of the basket (including rent, water, electricity, gas, and other fuels, which represent 35.1% of the consumer basket) slightly increased, averaging 3.5% Y-o-Y in Q4 2024 compared to 3.2% Y-o-Y in the third quarter. However, the rents increased to a lesser extent in Abu Dhabi.

For the third largest group in the consumer basket – food and beverages, inflation slowed down in Q4 2024 to an average of 1.9% Y-o-Y, from 2.3% in Q3 2024, reflecting the lagging effects of moderating food prices in international markets.

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

	Weights	Q1 2024	Q2 2024	Q3 2024	Q4 2024
All Items	100.0	1.9	2.3	1.5	1.0
Non-tradeable	68.6	2.0	2.4	2.0	1.8
Tradeable	31.4	1.8	1.9	0.7	-0.5
Housing, water, electricity and gas	35.1	3.2	3.1	3.2	3.5
Transportation	12.7	-0.7	3.3	-3.7	-7.8
Food and beverages	12.0	2.4	1.5	2.3	1.9
Education	7.6	2.9	2.4	2.2	2.1
Information and communication	5.9	-0.4	-0.5	-1.1	-1.0
Textiles, Clothing and Footwear	5.2	3.4	2.9	2.8	2.2
Furniture and Household Goods	5.1	1.9	0.0	-0.9	-1.7
Miscellaneous Goods and Services	4.9	2.2	2.0	3.3	3.9
Restaurants and Hotels	4.6	1.0	0.7	0.2	0.7
Recreation and Culture	3.1	-3.0	0.6	6.0	8.0
Medical Care	2.2	2.0	2.0	0.2	0.2
Insurance and Financial Services	1.3	5.2	5.1	5.8	4.1
Tobacco	0.2	-1.6	-2.0	-2.0	-2.0

Source: Federal Competitiveness and Statistics Centre.

[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 Q4 2024 grew by 14.1%, 14.6% and 13.7% Y-o-Y, respectively	CBUAE cut the Base Rate by 50 bps in total in Q4 2024 from 4.90% to 4.40%	DONIA remained below the Base Rate but the gap narrowed in Q4 2024, despite higher system-wide excess reserves

Monetary Aggregates

The growth of the money supply remained elevated in Q4 2024, reflecting a favourable economic environment. M1 rose by 14.1% Y-o-Y to AED 947 billion at the end of December 2024.[5] This reflects a 13.8% Y-o-Y increase in Currency-in-Circulation Outside Banks (14.1% of M1) in addition to a 14.2% Y-o-Y increase in Monetary Deposits (85.9% of M1). M2 increased by 14.6% Y-o-Y to AED 2,318 billion and quasi-monetary deposits rose by 14.9% Y-o-Y (59.2% of M2).[6,7] M3 grew by 13.7% Y-o-Y, reaching AED 2,779 billion due to a 9.4% Y-o-Y increase in Government Deposits in addition to the growth in M2.[8]

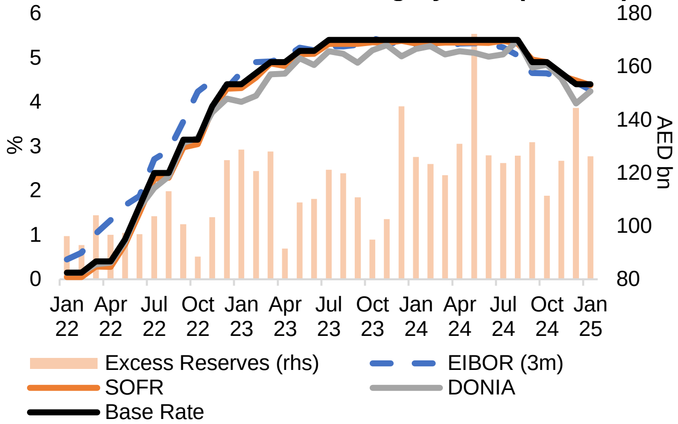
Interest Rates

In line with the US Federal Reserve's monetary policy actions, the CBUAE cut its key policy rate (Base Rate) by 50 bps in Q4-2024 to 4.40% and kept it steady in January. Overnight interbank rates continued to track below the Base Rate. The Dirham Overnight Interest Average (DONIA) rate averaged around 12 bps below the Base Rate, down from around 18 bps in the prior quarter. The spread narrowed despite system-wide excess reserves widening to around AED 131.0 billion on average over the quarter, compared to AED 121.0 billion in the prior quarter.

The CBUAE balance sheet continued to expand, driven by elevated net capital inflows of foreign exchange. However, the impacts on banks' Aggregate Balance was partly offset by monetary operations, including higher M-Bills and ICD issuance. Looking at the other autonomous factors, also an increase in rising Currency-in-Circulation reduced the Aggregate Balance – reflecting the growing demand growth for physical currency – helped absorb some capital flows, while the remaining autonomous factors had a relatively minor impact on the CBUAE balance sheet composition. As a result, the net effect was an increase in the Aggregate Balance of AED 21.0 billion at the end of the quarter, indicating a positive monetary impulse.

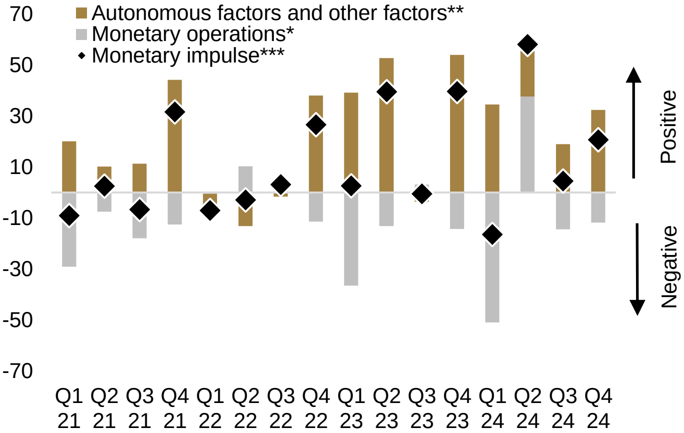
The M-Bills yield curve shifted downwards, reflecting cuts to the Base Rate during the quarter and movements in US T-Bill yields. At the same time, future US monetary policy rate expectations became less dovish due to stronger-than-expected economic data, contributing to a steepening of the M-Bills yield curve, as the longer end fell by less than the front end. The outstanding volume of M-Bills increased to AED 213.1 billion at the end of December, up from AED 200.0 billion at the end of September.

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



Sources: Bloomberg, CBUAE

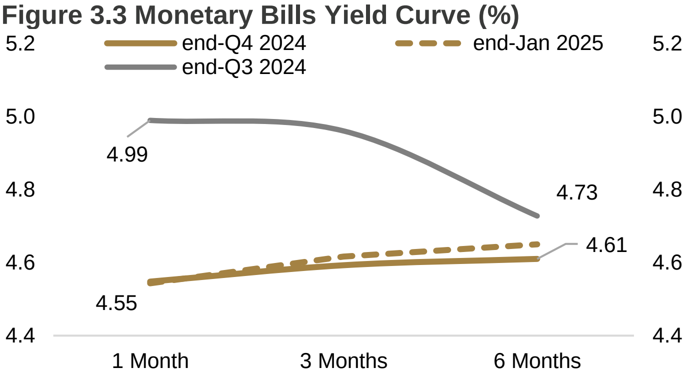
Figure 3.2 Monetary Impulse (AED bn)



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 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

The banking system lending grew by 9.5% Y-o-Y, primarily driven by increased lending to the retail and private-corporate sectors	**Favourable funding and liquidity conditions were supported by continued strong deposit growth of 12.0% Y-o-Y**	**The asset quality of the UAE banking system improved further, with the NPL ratio improving to 4.6% and the Net NPL ratio to 2.0%**

Banking System Assets and Structure

The total assets of the UAE banking sector increased by 12.0% Y-o-Y to AED 4,560 billion by the end of 2024. The number of licensed banks in the UAE remained at 61, comprising 23 UAE national banks and 38 branches of foreign banks operating in the UAE.

Banking System Credit and Deposits

The loan portfolio of the UAE banking system grew by 9.5% Y-o-Y. The expansion was primarily driven by domestic lending in the UAE economy. Within the domestic loan portfolio, retail and private corporate credit were the main contributors to the overall credit growth. Domestic retail credit growth remained broad-based, across mortgages, personal loans, and car loans.

Robust deposit growth of 12.9% Y-o-Y contributed to the sustained favourable liquidity and funding conditions in the UAE banking system. Resident retail and private corporate deposits were the main drivers of the strong deposit growth, increasing by 14.9% and 13.7% Y-o-Y, respectively. The loan-to-deposit ratio at 76.6%, reflected the banking sector’s ample credit capacity.

Financial Soundness Indicators

The UAE banking system capitalisation remained adequate. The capital adequacy ratios remained at comparable levels in 2024 to the previous year, with the aggregate Capital Adequacy Ratio (CAR) of 17.8% at the end of 2024.

The asset quality in the UAE banking system continued to improve in 2024. The stock of non-performing loans (NPL) declined by 14.2% Y-o-Y. As a result, the NPL ratio of the UAE banking system improved to 4.6% and the Net NPL ratio to 2.0%.

Overall funding and liquidity conditions of the banking system remained favourable, supported by the double-digit deposit growth. The profitability indicators during 2024 remained strong but started to plateau in view of the inflection of monetary policy rates.

Table. 3.1. Assets and Credit (AED billion)

	Q4 2023	Q1 2024	Q2 2024	Q3 2024	Q4 2024
Total Assets	**4,071**	**4,255**	**4,310**	**4,402**	**4,560**
(Y-o-Y change)	11.0%	13.0%	11.3%	11.4%	12.0%
Gross Credit	**1,991**	**2,047**	**2,101**	**2,162**	**2,181**
(Y-o-Y change)	**6.0%**	8.0%	8.0%	9.1%	9.5%
Domestic Credit	**1,738**	**1,777**	**1,816**	**1,860**	**1,849**
(Y-o-Y change)	5.3%	6.1%	5.8%	6.9%	6.4%
Foreign Credit	**254**	**270**	**285**	**302**	**332**
(Y-o-Y change)	11.0%	21.8%	25.0%	25.1%	31.0%

Source: CBUAE
Note: Data as of end of period.

Table.3.2. Total Deposits (AED billion)

	Q4 2023	Q1 2024	Q2 2024	Q3 2024	Q4 2024
Bank Deposits	**2,522**	**2,657**	**2,693**	**2,761**	**2,847**
(Y-o-Y change)	13.5%	15.2%	13.0%	14.1%	12.9%
Resident Deposits	**2,320**	**2,436**	**2,471**	**2,548**	**2,604**
(Y-o-Y change)	15.4%	16.4%	13.8%	14.2%	12.2%
Non-Resident Deposits	**202**	**221**	**222**	**213**	**243**
(Y-o-Y change)	-4.9%	3.6%	5.1%	12.3%	20.4%

Source: CBUAE
Note: Data as of end of period.

Table.3.3. UAE Financial Soundness Indicators

	Q4 2023	Q1 2024	Q2 2024	Q3 2024	Q4 2024
Capital Adequacy					
Capital Adequacy Ratio	17.9%	18.0%	18.3%	18.6%	17.8%
Tier 1 Capital Ratio	16.6%	16.7%	17.0%	17.2%	16.4%
Common Equity Tier 1 Ratio	14.9%	15.0%	15.3%	15.5%	14.8%
Liquidity and Funding					
Advances to Stable Resources Ratio	73.9%	72.4%	72.6%	72.9%	72.2%
Loan-to-deposit Ratio	79.0%	77.0%	78.0%	78.3%	76.6%
Eligible Liquid Assets Ratio	20.4%	20.3%	20.6%	21.2%	21.3%
Asset Quality					
Net Non-Performing Loans Ratio	2.4%	2.3%	2.3%	2.3%	2.0%
Non-Performing Loans Ratio	5.9%	5.6%	5.4%	5.2%	4.6%

Source: CBUAE
Notes: Data as of end of period.

III.3. Financial Developments

The UAE banking system remained resilient, as shown by the loan-to-deposit ratio which reached 76.6%	In Q4 2024, share prices in Dubai rose by 22.4% Y-o-Y and fell in Abu Dhabi by 1.8% Y-o-Y	CDS premiums for Abu Dhabi and Dubai slightly rose in Q4 2024, but still remain low

Equity Markets

The Abu Dhabi Securities Market General Index (ADX) fell by 1.8% Y-o-Y in Q4 2024, a smaller decline than in the previous quarter of the same year. Market capitalisation recovered to an average of AED 2.93 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 22.4% Y-o-Y in the fourth quarter of 2024. Market capitalisation rose to an average of AED 821 billion, attributed to the continued rise in share prices during this period.

Credit Default Swaps (CDS)

The CDS for the government of Abu Dhabi rose from 39.8 bps in Q3 2024 to 42.5 bps in Q4 2024. Although rising, 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 also rose slightly from 62 bps in Q3 2024 to 62.4 bps in Q4 2024, nonetheless maintaining low CDS premiums.

The CBUAE Credit Sentiment Survey

Solid credit conditions persisted through to the end of the year, with increased demand growth from both individuals and businesses, alongside greater willingness to extend credit. Business credit conditions have improved relative to the previous quarter, while personal lending conditions slightly deteriorated but remain expansionary softened. Solid economic conditions continue to back credit demand and drive financial institutions' lending appetite. Credit demand and supply are likely to remain strong across key sectors in the UAE well into the beginning of 2025.

Table 3.4 UAE Equity Markets

			Q4-2023	Q1-2024	Q2-2024	Q3-2024	Q4-2024
Abu Dhabi Securities Market	**Share Price Index***	**Y-o-Y**	-8.6%	-3.8%	-6.1%	-4.5%	-1.8%
	Market Capitalisation*	**AED bn.**	2,883	2,865	2,754	2,860	2,931
		Y-o-Y	12.0%	10.5%	-0.01%	0.60%	1.7%
	Traded Value**	**AED bn.**	66	67	60	77	75
		Y-o-Y	-29.0%	-21.5%	-5.9%	9.3%	13.8%
Dubai Financial Market	**Share Price Index***	**Y-o-Y**	19.4%	25.4%	11.5%	6.4%	22.4%
	Market Capitalisation*	**AED bn.**	672	723	686	733	821
		Y-o-Y	16.3%	22.8%	8.7%	6.3%	22.2%
	Traded Value**	**AED bn.**	22	24	22	24	33
		Y-o-Y	7.9%	27.5%	-18.4%	-21.3%	51.4%

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)

	2023		2024			
	Q3*	**Q4***	**Q1***	**Q2***	**Q3***	**Q4***
Abu Dhabi	36.0	44.4	39.9	40.9	39.8	42.5
Dubai	69.6	71.4	65.3	65.3	62.0	62.4

Source: Bloomberg.
Note: All values are average for the period.

III.4. Insurance Sector Developments

In Q4 2024, gross written premiums, number of insurance policies and gross paid claims increased by 21.4%, 1.5%, and 35.8% respectively

Technical provisions and total assets increased by 25.6% and 10.8% respectively in Q4 2024

The insurance sector remained well capitalised in Q4 2024, with healthy capital adequacy and return on average assets

Insurance Sector Structure and Activity

The UAE insurance sector maintained growth in Q4 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 increased to 501.

In Q4, gross written premiums increased by (21.4%) Y-o-Y to AED 64.8 billion, mostly due to an increase in property and liability insurance premiums by (27.9%) Y-o-Y, health insurance premiums by (18.5%) Y-o-Y, and insurance of persons and fund accumulation premiums by (11.9%) Y-o-Y.

Gross paid claims of all types of insurance plans increased by (35.8%) Y-o-Y to AED 42.9 billion in Q4 2024. This was mainly driven by the rise in claims paid in property and liability insurance by (52%) Y-o-Y mostly in fire insurance, motor insurance and engineering insurance, claims paid in health insurance by (24.5%), and (61%) increase in claims paid in insurance of persons and fund accumulation.

In Q4 2024, the total technical provisions[9] of all types of insurance increased by (25.6%) Y-o-Y to AED 95.7 billion. The volume of invested assets in the insurance sector amounted to AED 74.2 billion (51.4% of total assets) compared to AED 77.2 billion (59.2% of total assets) during the same period in 2023. The retention ratio[10] of written insurance premiums for all types of insurance was 54.3% (AED 35.2 billion) in Q4 2024, compared to 53.9% (AED 28.8 billion) a year earlier.

Insurance Soundness Indicators

The UAE insurance sector remained well-capitalized. With regard to the various capital adequacy ratios, the own funds[11] to Minimum Capital Requirement ratio increased to 378.8% in Q4 2024, compared to 364.2% in Q4 2023; as a result of an increase in own funds eligible to meet minimum capital requirements, the own funds to Solvency Capital Requirement ratio slightly decreased to 210.9% in Q4 2024 compared to 217.1% in Q4 2023, and the own funds to Minimum Guarantee Fund ratio was 293.2% in Q4 2024 compared to 309.4% in Q4 2023.

In terms of profitability, the net total profit to net written premiums was 4.0% in Q4 2024 due to increase of gross paid claims by 35.8% Y-o-Y in 2024. The return on average assets was 0.3% in Q4 2024 compared to the 0.35% in Q4 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	Q1-Q3	Full Year
1- Gross Written Premiums	**17.8**	**27.2**	**42.0**	**53.4**	**21.0**	**35.7**	**50.8**	**64.8**
• Property & Liability	6.5	9.9	16.6	20.8	7.9	13.8	20.9	26.6
• Health Insurance	9.3	14.0	20.1	25.9	11.3	18.3	24.4	30.7
• Persons and Fund Accumulation	2.0	3.3	5.3	6.7	1.8	3.6	5.5	7.5
2- Gross Claims Paid	**7.1**	**14.1**	**23.1**	**31.6**	**9.3**	**18.9**	**29.9**	**42.9**
• Property & Liability	1.7	3.9	5.7	7.5	2.6	5.7	9.5	11.4
• Health Insurance	4.9	9.2	14.4	20.0	5.2	10.7	16.5	24.9
• Persons and Fund Accumulation	0.5	1.0	3.0	4.1	1.5	2.5	3.9	6.6
3- Technical Provisions	**73.7**	**76.7**	**75.0**	**76.3**	**84.3**	**94.2**	**97.2**	**95.7**
4- Total Invested Assets	**70.5**	**72.9**	**74.4**	**77.2**	**78.5**	**78.7**	**83.2**	**74.2**
5- Total Assets	**128.3**	**127.7**	**131.6**	**130.3**	**146.4**	**154.8**	**159.6**	**144.4**
6- Total Equity	**26.3**	**27.0**	**27.9**	**28.0**	**28.6**	**28.0**	**30.1**	**32.1**

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	Q1-Q3	Full Year
1- Reinsurance ratio								
Retention ratio	53.2	53.8	52.5	53.9	53.0	53.1	53.8	54.3
2- Capital Adequacy Ratios								
Own funds to Minimum Capital Requirement (MCR)	340.6	352.4	349.8	364.2	365.8	376.0	389.2	378.8
Own Funds to Solvency Capital Requirement (SCR)	198.0	203.4	207.3	217.1	193.8	185.8	198.5	210.9
Own Funds to Minimum Guarantee Fund (MGF)	309.3	308.9	310.6	309.4	297.5	286.7	288.9	293.2
3- Earnings Ratios								
Net total profit to net written premiums	7.8	10.4	12.1	8.8	7.6	6.0	7.1	4.0
Return on average assets	0.5	0.5	0.6	0.35	0.6	0.7	0.5	0.3

Source: CBUAE.
Notes: *Estimated data.

[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.

[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.

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

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

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

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

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

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

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