مصرف الإمارات العربية المتحدة المركزي

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List of Abbreviations

AED	*United Arab Emirates Dirham*
AEs	*Advanced Economies*
BoE	*Bank of England*
CBUAE	*Central Bank of the UAE*
CDs	*Certificates of Deposit*
CPI	*Consumer Price Index*
DONIA	*Dirham Overnight Index Average*
DSC	*Dubai Statistics Center*
ECB	*European Central Bank*
EIBOR	*Emirates Inter-Bank Offer Rate*
EMDEs	*Emerging Markets and Developing Economies*
Fed	*Federal Reserve*
GCC	*Gulf Cooperation Council*
GDP	*Gross Domestic Product*
GREs	*Government Related Entities*
IMF	*International Monetary Fund*
M1	*Monetary Aggregate 1*
M2	*Monetary Aggregate 2*
M3	*Monetary Aggregate 3*
M-o-M	*Month-on-Month*
MENA	*Middle East and North Africa*
MGF	*Minimum Guarantee Fund*
NEER	*Nominal Effective Exchange Rate*
NBFI	*Non-Banking Financial Institutions*
OPEC	*Organization of Petroleum Exporting Countries*
PMI	*Purchasing Managers' Index*
REER	*Real Effective Exchange Rate*
REVPAR	*Revenue per Available Room*
SCA	*Securities and Commodities Authority*
UAE	*United Arab Emirates*
UK	*United Kingdom*
US	*United States of America*
USD	*United States Dollar*
WEO	*World Economic Outlook*
Y-o-Y	*Year-on-Year*

Executive Summary

Uncertainties surrounding the global economy remain high, with potential divergent implications on the UAE economy. Despite the IMF's upward revision of US GDP growth to 2.7% in 2024, recent data shows probability of slower growth, estimated to be around 1.8%. Growth can also be expected to decelerate in China and other advanced and emerging economies, mainly driven by lower private consumption.

On the other hand, global inflation is projected to continue declining, while inflationary risks stemming from higher transportation cost and supply chain disruption due to geopolitical factors. Depending on inflation dynamics in the US and in the EU, interest rates cuts will follow different schedules, as seen in the rate cut in Europe. Interest rate differential can continue the appreciation of the USD, and therefore of the Dirham, which will contribute to mitigating inflation in the UAE, with negligible impact on non-oil exports' competitiveness.

Despite the global downturn in international trade, UAE's total non-oil foreign goods trade in 2023 reached an all-time high exceeding a record AED 2.4 trillion, supported by the materialization of bilateral comprehensive economic partnership agreements. This strong foreign trade performance is expected to continue in 2024 and 2025, sustaining UAE's real GDP growth that is projected to reach 3.9% in 2024 and further accelerate to 6.2% in 2025. UAE's real GDP growth also depends on the OPEC+ decision on the quotas; which is subject to the uncertain performance of the global economy. The non-hydrocarbon GDP remains very robust, with growth forecasted to remain around 5.4% in 2024 and 2025.

The real estate sector remains dynamic, across the nation. The number of residential real estate sales transactions in Abu Dhabi continue to increase, resulting in median residential property sales price in Abu Dhabi and Dubai to increase between January and April by 3.3% and 13.9% Y-o-Y, respectively. Transportation and Tourism sectors also show a very strong performance, as tourist arrivals grew by 11% in the first quarter of 2024; and Abu Dhabi and Dubai International Airports passengers' traffic increased by 36.0% and 8.4% Y-o-Y, respectively.

In light of global and domestic factors, the CBUAE projects inflation in the UAE for 2024 at 2.3%, compared to 1.6% in 2023, due to a moderate increase in commodity prices, wages and rents. In 2025, inflation is also expected to average 2.3%, mainly driven by the non-tradeable component of the basket with the rising domestic demand, and potential depreciation of the nominal effective exchange rate of the Dirham.

In line with the US Federal Reserve's Interest Rate on Reserve Balances (IORB), the CBUAE has kept its key policy rate (Base Rate) unchanged since July 2023 at 5.4%, with the Dirham Overnight Interest Average (DONIA) rate averaging around 22 basis points below the Base Rate, reflecting sustained excess reserves. The banking sector's strong deposit growth of 15.2% Y-o-Y in Q1 2024 supported the continued favorable funding and liquidity conditions. The banking system's loan portfolio continued to expand by 8% Y-o-Y in the first quarter of the year, amidst ample bank credit capacity. The UAE banking system remained resilient, with adequate capital and liquidity buffers.

In Q1 2024, share prices in Dubai rose by 25.4% Y-o-Y and fell in Abu Dhabi by 3.6% Y-o-Y resulting from the fall in the shares of some major companies that constitute 25% of the total freely tradable shares. CDS premiums for Abu Dhabi and Dubai further declined on the back of strong fundamentals. The insurance sector registered an increase in gross written premiums by 18.5% Y-o-Y and in gross paid claims by 18.3% in Q1 2024. Technical provisions rose by 6.9% Y-o-Y, with the sector as a whole remaining well capitalized at the end of the quarter, recording healthy capital adequacy and earnings ratios.

Chapter 1

International Economic Developments and UAE External Sector

I.1. Growth Outlook of Major UAE Economic Partners

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

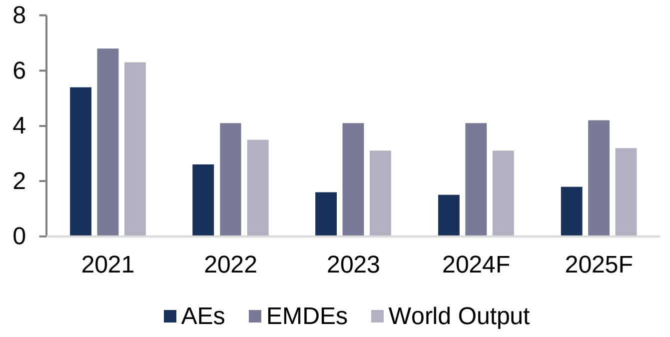
Growth among advanced economies is projected to accelerate slightly from 1.6% in 2023 to 1.7% in 2024, then further to 1.8% in 2025

Growth in emerging markets is forecasted to remain unchanged at 4.2% in 2024, with GCC's growth rebounding from 0.5% in 2023 to 2.6% in 2024

Global Economy

The International Monetary Fund (IMF) revised global growth estimates for 2024 slightly upward to 3.2% in its April 2024 World Economic Outlook (WEO), and projects the same growth rate in 2025. Despite the slight increase, the forecasted global growth for 2024 and 2025 remains below the historical annual average of 3.8% between 2000 and 2019. This slower growth is due to restrictive monetary policies, the withdrawal of fiscal support, and low underlying productivity growth. While advanced economies are expected to see a slight increase in growth, emerging market and developing economies are anticipated to maintain stable growth through 2024 and 2025, with variations across different regions.

Figure 1.1 Global Real GDP Growth (%)



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

Advanced Economies

For the advanced economies, the IMF forecasts a slight acceleration in economic growth, from 1.6% in 2023 to 1.7% in 2024, and to 1.8% in 2025. The upward revision for 2024 by 0.2 percentage points is mainly driven by the revision of United States (US) growth projections and the recovery in the euro area from the low growth experienced in 2023. Growth in the US is expected to rise to 2.7 percent in 2024 before slowing to 1.9 percent in 2025, due to gradual fiscal tightening and a softening labour market, which will reduce aggregate demand. The US growth outlook might be subject to downward revisions, in light of the weaker most recent data. Bloomberg Economics' nowcast for Q2 US GDP currently points to annualized growth of 1% quarter on quarter, down from 1.6% in Q1. This projection aligns with the view that the US economy is gradually cooling, moving towards a trajectory that is consistent with achieving the inflation target.

Table 1.1 Real GDP Growth in Advanced Economies (%)

	2022	2023	2024F	2025F	Q4 2023 (Y-o-Y)	Q1 2024 (Y-o-Y)
Global	3.5	3.2	3.2	3.2	3.2	-
AEs	2.6	1.6	1.7	1.8	1.6	-
US	1.9	2.5	2.7	1.9	3.1	3.0
Eurozone	3.4	0.4	0.8	1.5	0.1	0.4
UK	4.3	0.1	0.5	1.5	-0.2	0.2
Japan	1.0	1.9	0.9	1.0	1.2	-0.2

Sources: International Monetary Fund, World Economic Outlook-April 2024; country authorities.
Notes: F=forecast, AEs=Advanced Economies.

Growth in the euro area is expected to rebound from its low 2023 rate of approximately 0.4%, which was significantly impacted by its proximity to the Russia/Ukraine conflict, to 0.8% in 2024, and further to 1.5% in 2025. This recovery is likely to be driven by increased household consumption as energy price shocks diminish and decreasing inflation helps boost real income growth.

In other advanced economies, the United Kingdom's growth is forecasted to increase from a modest 0.1% in 2023 to 0.5% in 2024, with the adverse impacts of high energy prices lessening. Growth is anticipated to reach 1.5% in 2025, facilitated by easing financial conditions and a recovery in real incomes as inflation declines. Meanwhile, in Japan, economic growth is expected to decelerate from an estimated 1.9% in 2023 to 0.9% in 2024, and slightly increase to 1% in 2025. This slowdown is attributed to the diminishing impact of factors that boosted the 2023 growth, such as a significant rise in inbound tourism.

Emerging Markets and the GCC Economies

The IMF forecasts that growth in emerging market and developing economies is expected to remain steady at 4.2% for both 2024 and 2025. This stability is attributed to a slowdown in emerging and developing Asia, which is balanced by increased growth rates in the Middle East, Central Asia, and Sub-Saharan Africa.

Specifically, growth in emerging and developing Asia is anticipated to decrease from an estimated 5.6% in 2023 to 5.2% in 2024 and further to 4.9% in 2025, marking a slight upward adjustment from the January 2024 WEO Update. In emerging and developing Europe, growth is forecast at 3.2% in 2023 and 3.1% in 2024 and is expected to ease to 2.8% in 2025, following an upward revision of 0.5% points for 2023 and 0.3% points for both 2024 and 2025 since January 2024 WEO Update. In Latin America and the Caribbean region, growth is projected to decline from an estimated 2.3% in 2023 to 2% in 2024, before rebounding to 2.5% in 2025.

Growth in China is expected to decelerate from 5.2% in 2023 to 4.6% in 2024 and further to 4.1% in 2025. This slowdown is due to the diminishing impact of the post-pandemic surge in consumption and fiscal stimulus, combined with ongoing challenges in the real estate sector.

In contrast, India's economy is forecasted to maintain robust growth rates of 6.8% in 2024 and 6.5% in 2025, supported by strong domestic demand. In Brazil, economic growth is anticipated to moderate to 2.2% in 2024, influenced by fiscal consolidation efforts, the delayed effects of tight monetary policies, and a reduced contribution from the agricultural sector.

The IMF predicts a significant increase in economic growth for the GCC region, from 0.5% in 2023 to 2.5% in 2024. The limited growth in GCC economies in 2023 was primarily attributed to continued oil production cuts.

Nevertheless, the non-oil sectors across several GCC countries are showing robust growth, driven by an upsurge in domestic demand, enhanced gross capital inflows, and the execution of structural reforms aimed at diversifying the economy beyond oil dependency.

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

	2022	2023	2024F	2025F	Q4 2023 (Y-o-Y)
EMDEs	4.1	4.3	4.2	4.2	4.5
Brazil	3.0	2.9	2.2	2.1	2.2
India	7.2	7.8	6.8	6.5	6.8
China	3.0	5.2	4.6	4.1	5.4

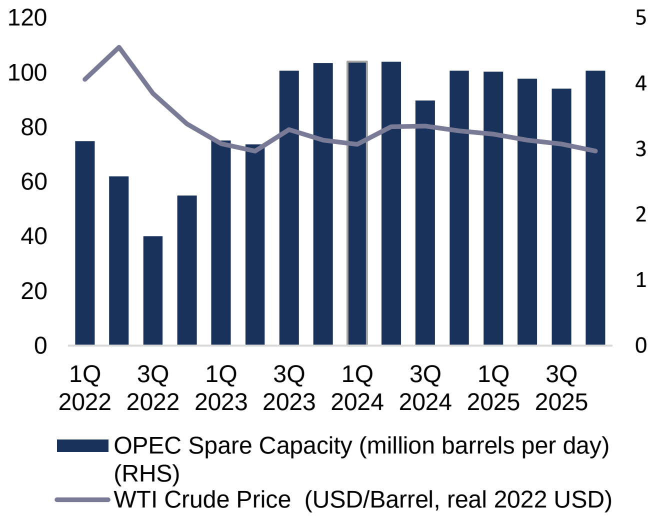
Source: International Monetary Fund, World Economic Outlook-April 2024.
Notes: F=forecast, EMDEs=Emerging Market and Developing Economies.

Table 1.3 Real GDP Growth in GCC Economies (%)

	2022	2023	2024F	2025F
GCC	7.9	0.5	2.5	5.2
UAE*	7.5	3.6	3.9	6.2
Saudi Arabia	8.7	-0.8	2.6	6.0
Qatar	4.9	1.6	2.0	2.0
Kuwait	8.9	-2.2	-1.4	3.8
Oman	4.3	1.3	1.2	3.1
Bahrain	4.9	2.6	3.6	3.2

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

Figure 1.2 OPEC Oil Spare Capacity and Oil Prices



Source: US Energy Information Administration.

I.2. Inflation and Monetary Policy Responses

Global inflation is projected to decline from 6.8% in 2023 to 5.9% in 2024	Inflation is declining in most regions, due to lower energy and food costs and restrictive monetary stances	The majority of central banks kept interest rates unchanged as inflation remained above targets

Global

Global inflation is showing signs of moderation. According to the IMF's April 2024 WEO, global inflation is projected to fall from 6.8% in 2023 to 5.9% in 2024 and 4.5% in 2025. Inflation is declining driven by still-tight monetary policies, softening in labour markets, and fading pass-through effects from earlier declines in relative prices, notably energy.

Advanced Economies

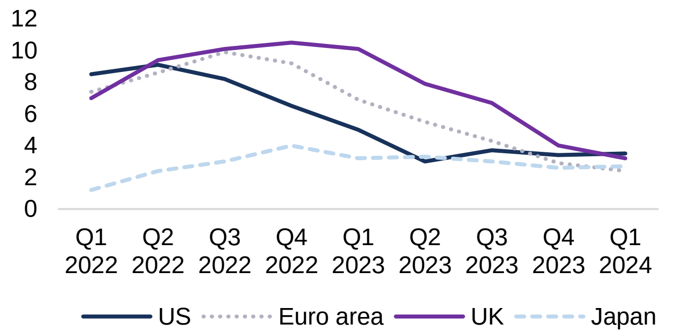
In the US, headline inflation increased marginally to 3.5% Y-o-Y in March 2024 from 3.4% Y-o-Y in December 2023, mainly owing to higher energy and shelter costs. However, it trended down in April back to 3.4%. In May 2024, the Federal Funds rate remained at 5.25-5.5%, and the market is pricing one rate cut towards the latter end of the year.

The annual inflation rate in the Eurozone dropped to 2.4% Y-o-Y in March 2024 from 2.9% Y-o-Y in December 2023, reflecting moderate increases in both food and energy prices. The European Central Bank (ECB) kept its key interest rate for the main refinancing operations unchanged at 4.5% in April 2024. However, the ECB president signaled a potential rate cut earlier than the Fed.

The annual inflation rate in the UK fell to 3.2% Y-o-Y in March 2024 from 4.0% Y-o-Y in December 2023, largely due to the decrease in the prices of energy, core goods and services. The BoE held its policy interest rate steady at 5.25% in May, at the highest level since 2008.

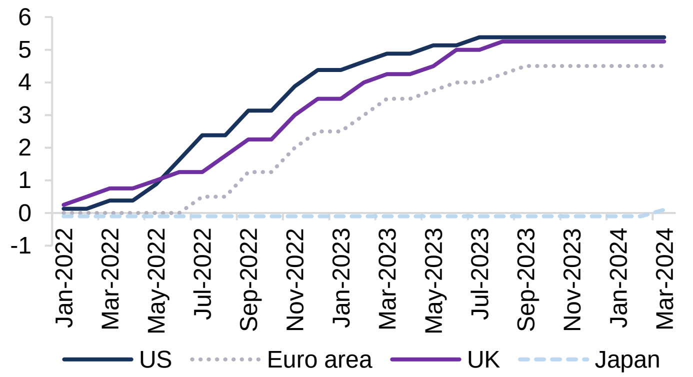
In March 2024, the Bank of Japan increased its policy rate to 0-0.1%, for the first time in 17 years, as the annual inflation rate remained at 2.6% Y-o-Y. However, in April, inflation slowed much more than expected and fell below the central bank's 2% target to 1.6%. During its April meeting, the policy rate benchmark remained unchanged.

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



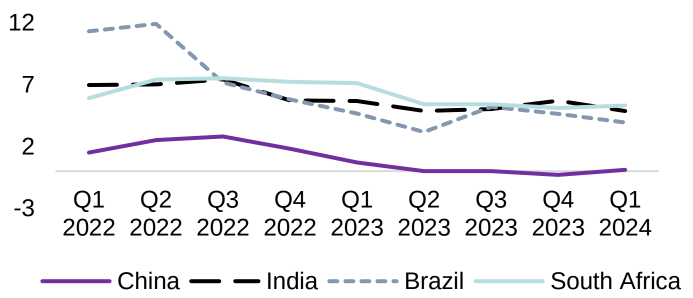
Source: Bloomberg.

Figure 1.4 Policy Rates in Selected Advanced Economies (%)



Source: Bloomberg.

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



Sources: Bloomberg, Global Source Partners.

Emerging and GCC Economies

In China, inflation continues to rise, with the annual rate increasing to 0.3% Y-o-Y in April 2024 from -0.3% in December 2023. The People's Bank of China (PBoC) maintained its benchmark lending rate at 3.45% in April, amid a slow economic recovery and a weak currency.

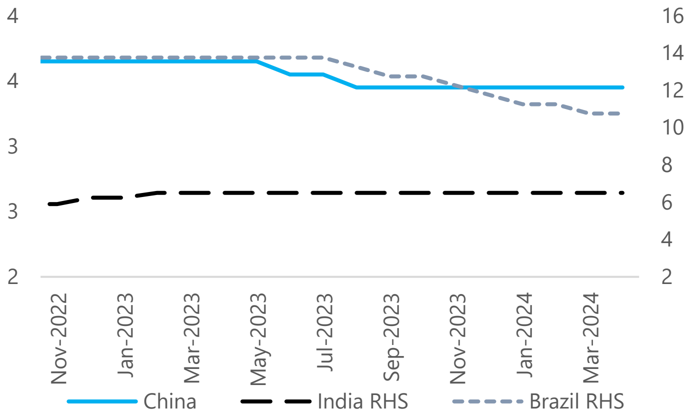
In April 2024, India's annual inflation fell to 4.8% Y-o-Y from 5.7% in December 2023, reaching a six-month low. Government data points toward the decline of fuel prices and marginal softening of food inflation as the main drivers. The onset of a heat wave could hamper the inflation downtrend in the coming months. In the April 2024 monetary policy meeting, the Reserve Bank of India (RBI) kept its benchmark policy repo rate unchanged at 6.5%.

The continuous drop in transportation prices has been a contributing factor to the recent decreases in inflation observed in Brazil to 3.7% Y-o-Y in April 2024 from 5.7% in December 2023. As a result, the Central Bank of Brazil decreased the benchmark rate by a further 50 bps to 10.75%. This cut was the sixth consecutive half-percentage-point reduction.

Saudi Arabia's inflation rate marginally increased to 1.6% Y-o-Y in April 2024 from 1.5% in December 2023. Bahrain experienced an increase in inflation reaching 1.0% Y-o-Y in March 2024 from -0.3% in December 2023. Both countries witnessed an increase in inflation due to an increase in housing and food prices. Oman's inflation rate touched 0.4% Y-o-Y in April 2024. However, it was lower than the 0.6% Y-o-Y reported in December 2023 owing to lower transportation prices. Falling transportation prices contributed to the decline in the inflation rate in Kuwait from 3.4% Y-o-Y in December 2023 to 3.0% in March 2024. Qatar's inflation rate declined to 0.7% Y-o-Y in April 2024 from 1.7% in December 2023 due to a decline in restaurants and hotels and communication sectors.

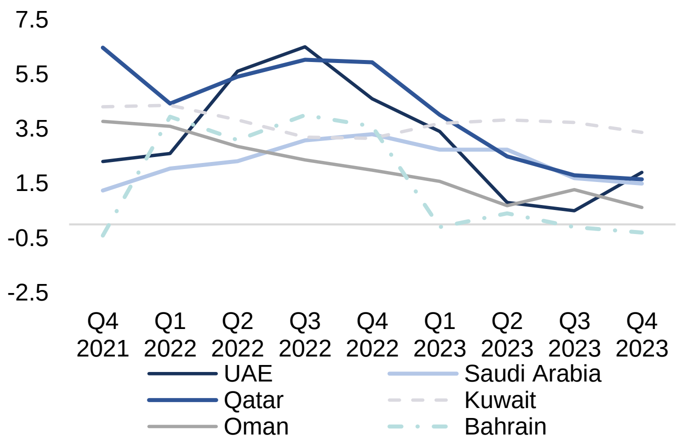
In April 2024, the central banks of the GCC economies, whose currencies are pegged to the USD, kept their policy rates steady to align with the US federal funds rate. Kuwait, whose currency is pegged to an undisclosed basket of currencies, also kept its policy rate steady.

Figure 1.6 Policy Rates in Selected Emerging Economies (%)



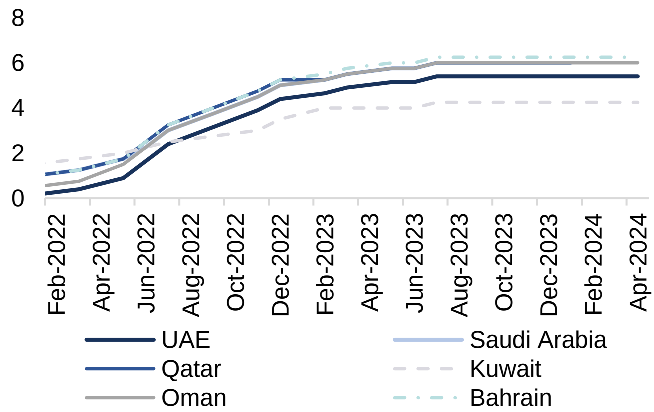
Source: Bloomberg.

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



Sources: Bloomberg, CBUAE.

Figure 1.8 Policy Rates in GCC Countries (%)



Sources: GCC central banks.

I.3. Global Markets' Developments

Global financial conditions are loosening with easing inflation rates and policy rate cut signals	Commodity markets are exhibiting mixed trends due to supply related and geopolitical factors	Growth in non-oil exports and imports of the UAE continued in 2023

Global Financial Conditions

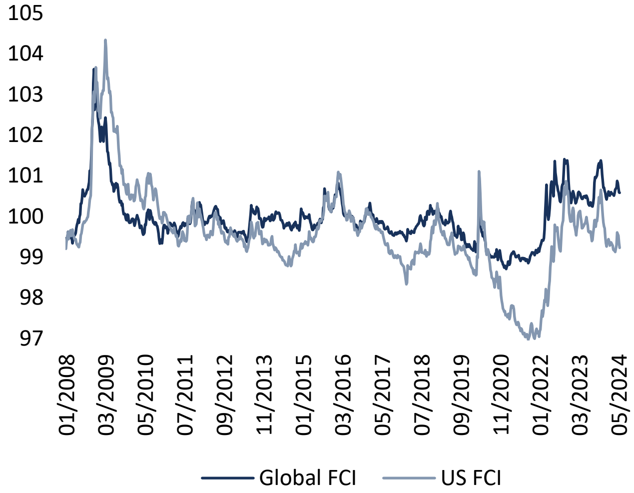
Relatively steady US and global financial conditions in the first quarter of 2024 tightened in April 2024 before reversing in May 2024 on the back of inflation easing in major countries.

An upward movement of financial conditions in the US in April is attributed to the official March inflation rate release which was higher compared to the previous month, and to market expectations of higher-for-longer interest rates. Additionally, the stronger USD index contributed to a tighter financial condition in the US. The tighter conditions in the US also affected the global financial conditions. Developments in long- and short-term interest rates as well as their subsequent impact on equity valuations in the emerging markets were the main drivers of a tighter Global Financial Conditions Index in April.

However, financial conditions eased in the US following Fed's expansionary monetary policy signal in early May and due to softer labour market data. Moreover, other major components of the index, such as equity valuations and weaker USD, also partly explain the easing of global financial conditions. On the other hand, major central banks, such as the ECB and the BoE, signaled to gradually lower policy rates in the near term, which led to a loosening of global financial conditions recently.

Overall, financial conditions remain tighter than the average of the last 10 years, but significantly looser compared to 2009 levels.

Figure 1.9 Financial Conditions Indices



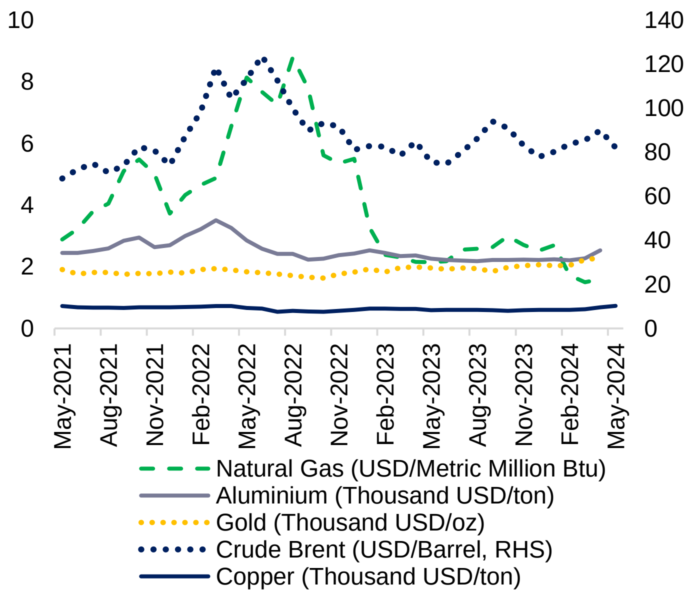
Source: Goldman Sachs.

Commodities

Brent crude oil price exhibited volatility though remained elevated since the beginning of the year, rising to USD 90.1 per barrel in April before averaging USD 82.1 USD in May 2024. However, the price level is still 9% greater compared to the same period of the previous year. The extension of voluntary oil production cuts by OPEC+ countries and geopolitical tensions are the major driving factors of higher oil prices. Likewise, natural gas prices have been volatile during the last 5 months fluctuating between USD 2.7 per MMBtu in January 2024, dropping as low as USD 1.25 in March, and rising again to an average of USD 2.16 per MMBtu in May 2024.

In the precious metals universe, the price of gold continued its positive trend amid interest rate cut expectations and higher demand due to geopolitical tensions. Consequently, gold prices reached an all-time high (above USD 2400 per ounce), as the value of gold in May 2024 experienced an increase of 0.8% M-o-M on average, while it went up by 18.2% Y-o-Y. Copper and aluminum prices climbed Y-o-Y by 24.1% and 14.9%, respectively, as new sanctions imposed by the US and UK on Russian-origin metals in April 2024 decreased the supply.

Figure 1.10 Commodity Prices



Sources: Bloomberg, US Energy Information Administration

In April 2024, the Food and Agriculture Organization's (FAO) Food Price Index increased by 0.3% from its level in March 2024, primarily driven by higher global meat prices, as well as increase in cereal and vegetable oil prices, which outweighed a decline in the sugar and dairy prices. However, in the reporting month, its value fell by 7.4% Y-o-Y.

UAE's International Trade

UAE's total non-oil foreign trade of goods in 2023 increased by 11.9% compared to 2022, amounting to AED 2,426 billion.

Non-oil exports of the UAE increased substantially during the reporting period compared to the previous year, by 15%, reaching AED 423.6 billion. According to data, Türkiye, with 10.9% of exports, became UAE's major non-oil export partner, followed by India (10.5%) and Saudi Arabia (9%). The notable increase in non-oil export to Türkiye reflects the impact of bilateral comprehensive economic partnership agreement between the two countries. The most exported non-oil goods were gold, accounting for 42.1% of total non-oil export, followed by petroleum oils and oils obtained from bituminous minerals (5.6%) and aluminum (5.4%).

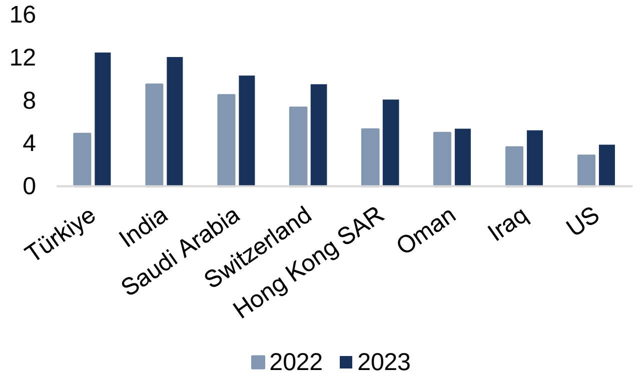
Re-exports also grew in 2023, by 6.2%, amounting to AED 618.9 billion. Saudi Arabia, with a share of 11%, remained the top destination for UAE re-exports, followed by Iraq (10.3%), and India (7.2%). Telecommunications equipment and diamonds dominated re-exports, accounting for 18% and 11.5% of the total, respectively.

Imports rose significantly by 13.8% in 2023 compared to 2022, reaching AED 1,388.3 billion. The increase was attributed to a robust growth in the non-hydrocarbon sector and a slight appreciation of the currency. China maintained its position as the main trading import partner, accounting for 19% of total imports, while India (7.8%) and the US (6.9%) were the second and the third main trading import partner, respectively. With a share of 20.4%, gold was the leading imported good, followed by telecommunications equipment (9.7%), motor vehicles (6.5%) and diamonds (4.8%).

Exchange rate

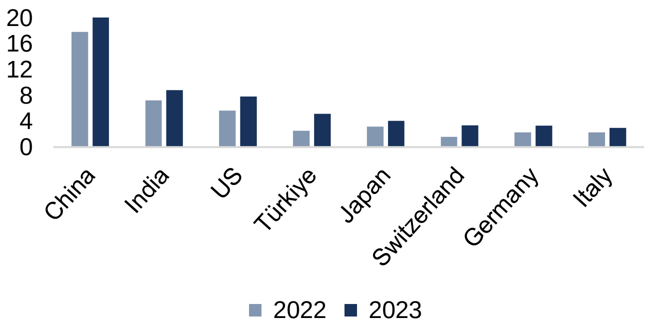
The nominal effective exchange rate (NEER), which factors in the bilateral exchange rates of the national currency against a basket of UAE's trading partners, appreciated by 4.2% Y-o-Y in April 2024, compared to 2.4% in the previous month, due to the appreciation of the USD. Similarly, the real effective exchange rate (REER), which adjusts the NEER for inflation differentials between the UAE and its trading partners, appreciated by 3.1% compared to a year ago which corresponds to 1.4% appreciation M-o-M. This appreciation stems from stronger nominal exchange rate and also reflects UAE's lower inflation rate vis-à-vis its trading partners.

Figure.1.11. UAE Non-Oil Exports to Major Trading Partners (% of Non-Oil Exports)



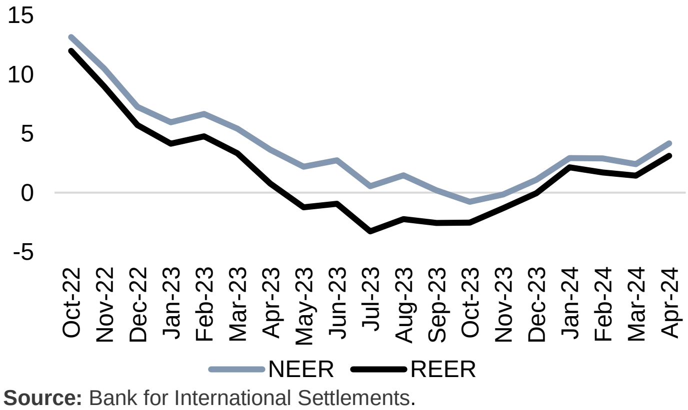
Source: Federal Competitiveness and Statistics Centre.

Figure.1.12. UAE Imports from Major Trading Partners (% of Imports)



Source: Federal Competitiveness and Statistics Centre.

Figure.1.13. Nominal and Real Effective Exchange Rates Appreciation/Depreciation (Y-o-Y, %)



Source: Bank for International Settlements.

Chapter 2

Domestic Economic Developments

II.1. Economic Growth

Real GDP accelerated to 4.3% Y-o-Y in Q4 2023, reflecting dynamic non-hydrocarbon sector and improvement in the hydrocarbon GDP

Real GDP is projected to rebound to 3.9% in 2024 and further accelerate to 6.2% in 2025, from 3.6% growth in 2023

OPEC+ agreements weigh on the outlook for the hydrocarbon GDP, while non-hydrocarbon GDP growth is expected to remain robust in 2024 and 2025

Real GDP Outlook

In the fourth quarter of 2023, the UAE economy expanded 4.3% Y-o-Y, above the 2.5% growth registered in Q3 2023. The quarterly increase is due to both, non-hydrocarbon growth accelerating (which accounts for around 75% of GDP) and better performance of the hydrocarbon sector.

The CBUAE projects GDP growth for 2024 at 3.9%, largely reflecting the strong performance of the non-oil sector. Growth forecasts are driven mainly by tourism, transportation, financial and insurance services, construction and real estate, and communications sectors; while the extension of oil production cuts during 2024 partially moderate the overall growth. For 2025, growth is expected to increase to 6.2% as trends in the non-hydrocarbon sector are expected to continue, while oil and gas production are forecasted to pick up significantly.

The projections for 2024 and 2025 are surrounded by considerable uncertainties. Downside risks encompass escalating geopolitical tensions (including disturbances in the Red Sea, war in Gaza, and the Russia-Ukraine conflict), a global economic slowdown caused by the prolonged high interest rates, and potential further oil production cuts by OPEC+. Conversely, growth could be positively impacted by reduction in interest rates in advanced economies, which could boost external demand and encourage capital inflows into emerging markets.

Non-Hydrocarbon GDP

Non-hydrocarbon GDP growth accelerated to 6.7% Y-o-Y in Q4 2023, up from 5.8% Y-o-Y in the previous quarter, due to the acceleration in the financial and insurance services, real estate activities, construction and manufacturing. Non-hydrocarbon GDP growth is expected to remain strong at 5.4% in 2024 and 5.3% in 2025, mainly due to the base effects and stabilizing migration inflows.

Hydrocarbon GDP

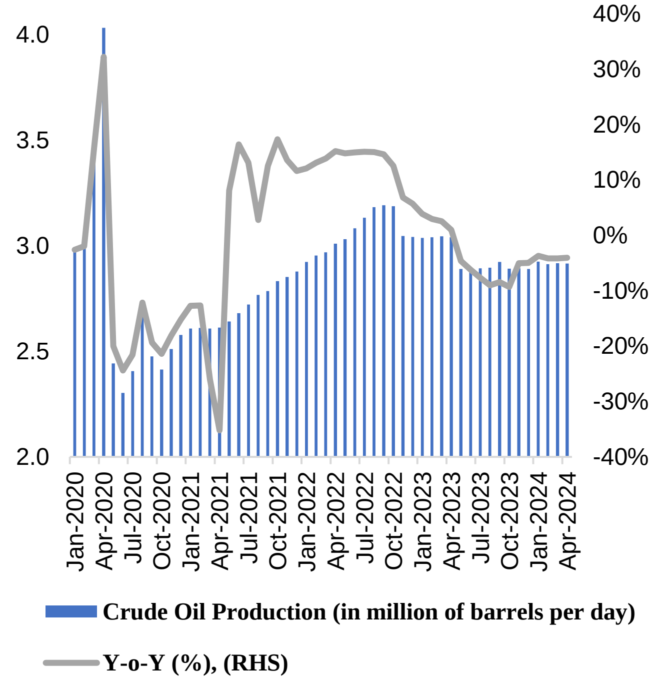
In the first four months of 2024, oil production averaged 2.9 million barrels per day marking a 4% decline compared to the same period a year ago and is expected to remain at this level until the end of 2024. Gas production increased by 14.3% Y-o-Y in Q1 2024 offsetting the decline in oil production. Based on the historical performance Year-to-date in 2024 and OPEC+ meeting decision on production in June 2024, hydrocarbon sector is set to grow by 0.3% in 2024, followed by further expansion by 8.4% in 2025.

Table 2.1 Real GDP Growth in the UAE (%)

	2021	2022	2023	2024 F	2025 F
Overall GDP	4.4	7.5	3.6	3.9	6.2
Non-hydrocarbon GDP	6.5	7.1	6.2	5.4	5.3
Hydrocarbon GDP	-1.1	8.5	-3.1	0.3	8.4

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

Figure 2.1 Average UAE Crude Oil Production



Source: Organization of the Petroleum Exporting Countries.

Government Investment and Consumption

The consolidated fiscal balance in 2023[1] remained positive at AED 85.6 billion, equivalent to 4.5% of GDP, compared to AED 184.2 billion or 9.9% of GDP in 2022. Lower fiscal surplus represents an expected correction from a record high level of the previous year and was primarily due to a 20% decline in oil-related revenues.

Total revenue declined by 13.9% to AED 526.1 billion (27.9% of GDP), while taxes contracted marginally by 3.2%, as compared to a reduction of 28% in other non-tax revenues. Government expenditure increased by 3.1% to AED 440.5 billion (23.3% of GDP), mainly a result of the increase in current expenditure by 4.5% to AED 405.8 billion or 21.5% of GDP. Capital expenditure declined by 10.8% to AED 34.7 billion (1.8% of GDP), and remained below the pre-COVID 5-year average of 2.9% of GDP.

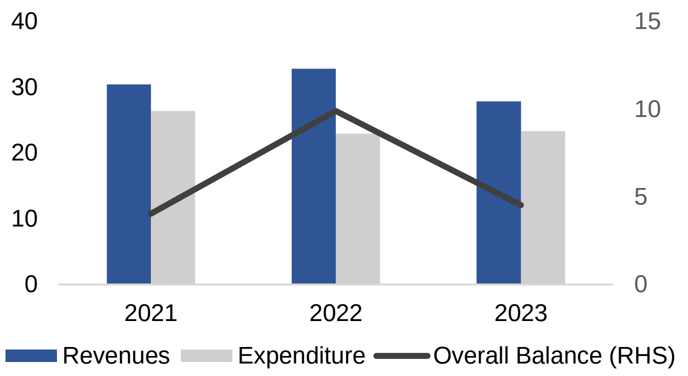
Overall, the fiscal sector remains sustainable and will be further strengthened as a result of the recently introduced corporate income tax.

Private Investment and Consumption

Indicators point towards robust economic activity within the non-oil private sectors. As of April 2024, the UAE's Purchasing Managers' Index (PMI) was reported at 55.3, driven by continued business optimism on economic prospects. Such positive sentiment is driven by the expectation of ongoing robust demand and sales, expected to support consistent output growth. This is further supported by the anticipation of new initiatives and investments. In addition, Dubai recorded a PMI of 55.1 in April 2024, closely aligning with the broader UAE index, reflecting persistent growth in the emirate's non-oil private sector.

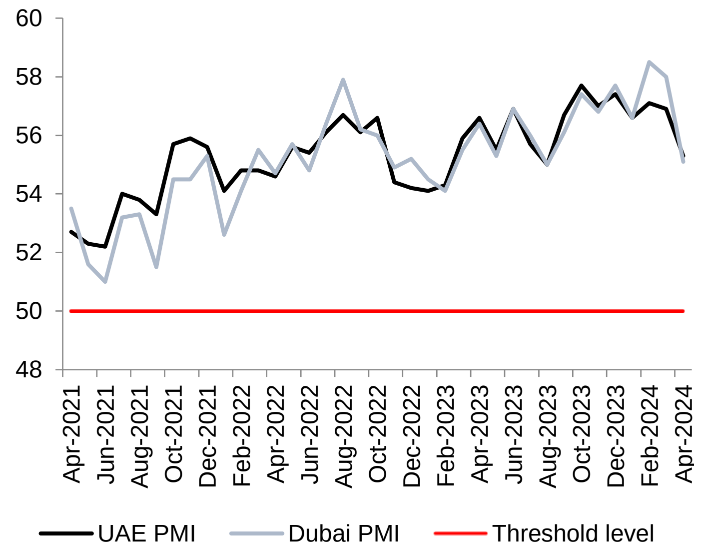
Number of employees covered by the CBUAE Wage Protection System (WPS) and average employee salary increased by 7.5% and 9.4% Y-o-Y[2] in April 2024, respectively. These positive readings for employment and wage growth point to robust domestic consumption and sustainable GDP growth going forward.

Figure 2.2 Consolidated Fiscal Balance (% of GDP)



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

Figure 2.3 UAE PMI (above 50 means expansion)



Source: S&P Global.

[1] Annual fiscal data for 2023 are compiled based on preliminary quarterly data from MoF.

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

II.2. Sectoral Analysis

In January-April 2024, median residential property sales price in Abu Dhabi and Dubai increased by 3.3% and 13.9% Y-o-Y, respectively. Growth in rental prices was lower at 2.6% and 10.9%	Tourism and hospitality sector experienced 11% growth in tourist arrivals in the first quarter of 2024, amid high occupancy rates	Abu Dhabi and Dubai International Airports passengers' traffic increased significantly, by 36.0% and 8.4% Y-o-Y, respectively

This section summarizes 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 number of residential real estate sales transactions in Abu Dhabi in January-April 2024 was estimated to have increased by 7.7% Y-o-Y. In terms of property types, trends were contrasting: while apartment sales soared by 47.8% Y-o-Y, villa sales declined by 31% Y-o-Y in the first 4 months of 2024. Growth was mostly driven by the sales of ready units, which increased by 24.9% Y-o-Y, while off-plan sales increased marginally by 0.8% Y-o-Y. The flow of new villas in the Abu Dhabi real estate market slowed down in the current year, and most of the under-construction units in Abu Dhabi prime locations started in the last year were sold out quickly, which points to sustained demand for Abu Dhabi real estate.

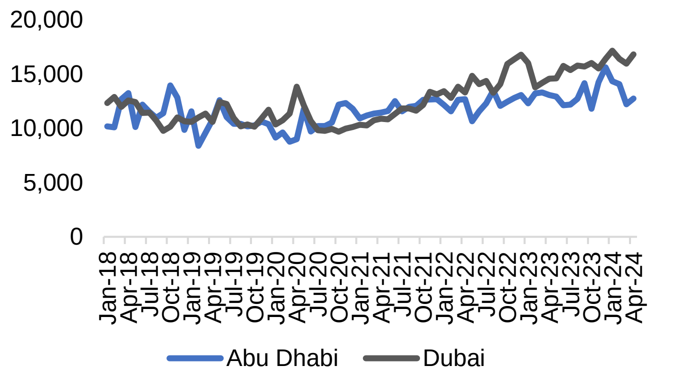
Median residential sales price increased by 3.3% Y-o-Y in January-April 2024 in Abu Dhabi. Lower supply of new villas resulted in higher growth rates in this segment (6.6% Y-o-Y), compared to apartments, where the median price increased by 2% Y-o-Y.

Apartment sales transactions in Dubai during January-April 2024 increased by 34.4% Y-o-Y, while villa sales declined by 6% Y-o-Y. Total number of residential sales transactions in Dubai increased by 28.4% Y-o-Y, and growth in transactions in the off-plan segment was higher compared to growth in sales of ready units: 37.3% vs 15.5% Y-o-Y.

Median residential real estate sales price increased by 13.9% Y-o-Y in the first 4 months of 2024 in Dubai. Apartments prices increased by 13.7% Y-o-Y and prices for villas demonstrated 12.2% Y-o-Y growth in January-April 2024.

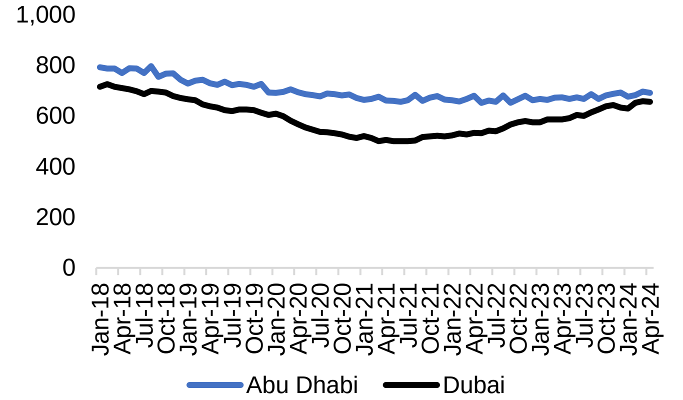
The number of residential rent transactions declined in both Abu Dhabi and Dubai, by 3.5% and 8.4% Y-o-Y in January-April 2024. However, despite the decline in the number of transactions, rental prices increased in both emirates, although growth in rental prices in Dubai (10.9% Y-o-Y) was higher compared to Abu Dhabi, where the median rental price was estimated to increase by 2.6% Y-o-Y.

Figure 2.4 Median Residential Sale Prices (AED per SQM)



Sources: CBUAE calculations based on data from Quanta and DLD.

Figure 2.5 Median Residential Rent Price (AED per SQM)



Sources: CBUAE calculations based on data from Quanta and DLD.

Tourism and Hospitality

Data for Q1 2024 indicates that Dubai sustained its role as a top international tourism hub. Hotel occupancy rates stood at 83%, equal to the previous year's figures. The average duration of stay per visitor was almost unchanged at 3.9 nights, yet there was a 2% Y-o-Y increase in the total occupied room nights, totalling to 11.2 nights.

Furthermore, Dubai recorded an 11% rise in tourist arrivals in the first three months of 2024 compared to the same period last year, taking advantage of the revival of worldwide travel demand. During this period, the emirate welcomed 5.2 million international overnight visitors, an increase from 4.7 million tourists in the first quarter of the previous year.

Transportation

Zayed International Airport welcomed over 6.8 million passengers in the first quarter of 2024, taking advantage of the top-tier facilities and services at its newly opened terminal in Abu Dhabi. This emphasizes Abu Dhabi's status as a major transportation hub, with a 36% increase in passenger numbers compared to the first quarter of 2023.

Dubai International Airport had an exceptional start in 2024, recording its busiest quarter ever, which highlights its importance as a global aviation hub and a major contributor to Dubai's economy. During the first quarter, there was a remarkable increase in passenger traffic, with 23 million travelers passing through its facilities. This represents an 8.4% rise compared to the same period last year, emphasizing its strong connection to key global markets and its role in strengthening Dubai's status as a prime destination for both tourism and business.

Moreover, Dubai has approved an ambitious AED 128 billion project for a new passenger terminal at Al Maktoum International Airport. This expansion will increase the size of Dubai's main international airport five times, to become the largest in the world by size and capacity, capable of handling up to 260 million passengers annually.

Figure 2.6 Accommodation Supply and Demand in Dubai in 2023 (3-Months Cumulative)

Categories	Establishment Nos.	Total Available Rooms [Supply]	Average Occupancy
2024 March	832 Establishments	152,162	83%
		2%	2%
2023 March	814 Establishments	148,877	83%

Source: Dubai Department of Economy and Tourism.

II.3. Inflation

The CBUAE projects inflation in the UAE for 2024 and 2025 at 2.3%	In April 2024, headline inflation in Dubai accelerated to 3.9% Y-o-Y mainly due to the increase of prices in the transport category	Non-tradeables continue to be the main source of inflation in Dubai

Inflation Outlook[3]

The CBUAE revised its inflation forecast downwards for the UAE for 2024 from 2.5% to 2.3% as commodity prices, wages and rents are expected to increase at a lower rate than previously expected with the Dirham appreciation, due to the USD appreciation, expected to further moderate inflation. In 2025, inflation is also expected to average 2.3%, mainly driven by the non-tradeable component of the basket with the rising domestic demand.

Inflation driver in Dubai

Dubai's headline inflation moderated in Q1 2024 in line with global trends and remained below the global average. According to the Dubai Statistics Center, the average headline consumer price index inflation averaged 3.4% Y-o-Y in Q1 2024.

In April 2024, inflation accelerated to 3.9 % Y-o-Y, driven primarily by a significant rise in transport prices (the third largest category in Dubai's consumer basket) by 3.3% Y-o-Y compared to an average -2% Y-o-Y in Q1 2024. The rise in transport prices reflects the increasing global energy prices due to geopolitical conflicts, and concerns about the ongoing supply chain risks.

The housing group prices (including rent in addition to water, electricity, gas, and other types of fuel, representing 40.7% of the consumer basket), continued to rise, reaching 6.5% on an annual basis during the month of April after an average of 6.3% Y-o-Y in Q1 2024. As for the food and beverage group, which is the second largest group in the consumer basket, inflation declined in the month of April 2024 to 2.3% Y-o-Y from an average of 3.3% in Q1 2024.

Similarly, the inflation in all other categories of Dubai's consumer basket decelerated or remained unchanged in April 2024, compared to their average in Q1 2024, except clothing and footwear; health; recreation, sport and culture; and restaurants and accommodation services.

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

	Weights	Q4 2023	Q1 2024	Apr 2024
General Index	100.0	3.6	3.4	3.9
Non-tradeable	74.9	4.2	4.1	4.6
Tradeable	25.1	1.9	1.5	1.8
Housing, water, electricity, gas and other fuels	40.7	6.1	6.3	6.5
Food and beverages	11.7	4.0	3.3	2.3
Transport	9.3	-1.8	-2.0	3.3
Education	8.2	3.4	3.6	3.1
Restaurants and accommodation services	6.1	2.4	2.0	2.2
Information and communication	5.7	0.7	0.2	0.1
Personal care, social protection and miscellaneous goods and services	5.1	1.6	1.2	1.2
Clothing and footwear	5.0	2.5	3.1	3.4
Furnishings, household equipment and routine household maintenance	3.5	7.0	0.6	0.5
Recreation, sport and culture	2.4	-2.3	-0.7	-0.2
Insurance and financial services	1.3	9.2	10.1	9.2
Health	0.9	0.7	0.1	0.2
Tobacco	0.3	-5.5	-3.0	-3.0

Source: Dubai Statistics Center, 2021 Base Year

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

Chapter 3

Monetary and Financial Markets Developments

III.1. Money Supply and Interest Rates

Monetary aggregates M1, M2 and M3 grew in Q1 2024 by 15.6%, 19.4% and 16.9% Y-o-Y, respectively	CBUAE's Base Rate remained unchanged at 5.4% since July 2023	The DONIA remained below the Base Rate, but the gap has narrowed further in Q1 2024

Monetary Aggregates

Money supply continued to grow at a solid pace through early 2024. M1 rose by 15.6% Y-o-Y and stood at AED 878 billion at the end of March 2024.[4] This reflects a 13.6% Y-o-Y increase in issued currency (16.7% of M1) and a 16.0% increase in monetary deposits (85.5% of M1). M2 increased by 19.4% Y-o-Y to AED 2,135 billion due to continuous sizable rise in quasi-monetary deposits (58.9% of M2) by 22.1% Y-o-Y.[5,6] M3[7] grew by 16.9% Y-o-Y, reaching AED 2,583 billion, largely reflecting a 6.7% increase in government deposits.

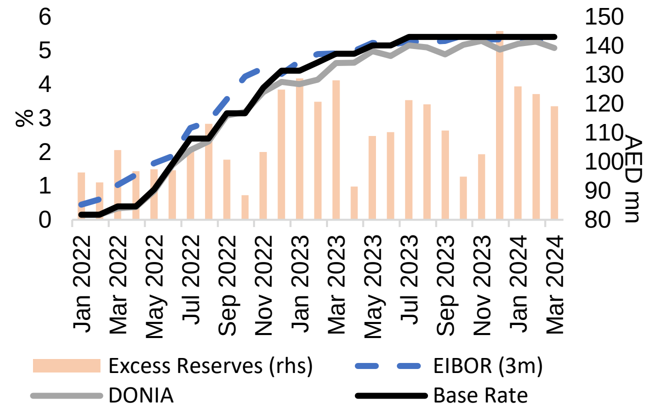
Interest Rates

In line with the US Federal Reserve's Interest Rate on Reserve Balances (IORB), the CBUAE has kept its key policy rate (Base Rate) unchanged since July 2023 at 5.4%. Overnight interbank rates remained below the Base Rate throughout the quarter. The Dirham Overnight Interest Average (DONIA) rate averaged around 22 basis points below the Base Rate, reflecting sustained large system-wide excess reserves of AED 128.6 billion on average in the banking sector.

However, the gap between DONIA and the Base Rate as well as the gap between DONIA and the US overnight interest rate (SOFR) narrowed despite the increasing levels system-wide surplus liquidity. The monetary impulse turned negative during the last quarter despite continuing large net capital inflows. Sizable monetary operations (together with large increases in both the State Account Balance and Currency in Circulation) absorbed AED 67.5 billion of liquidity from the system.

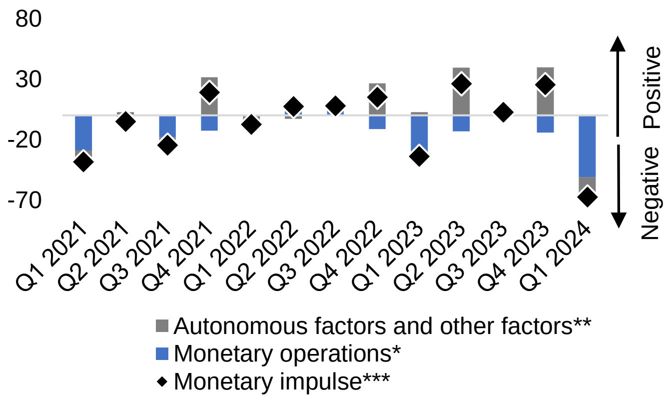
The domestic rates (M-Bills yields) generally followed the changes to market expectations of the policy rate path in the United States. The outstanding volume of M-Bills increased to AED 214.8 billion at the end of March, up from AED 173.2 billion at the end of 2023. The scaled-up net issuance was primarily driven by the CBUAE's efforts to absorb rising system-wide surplus liquidity from the rapid increase in net foreign exchange inflows through the quarter. Thus, excess reserves stabilized at elevated levels.

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



Sources: Bloomberg, CBUAE.

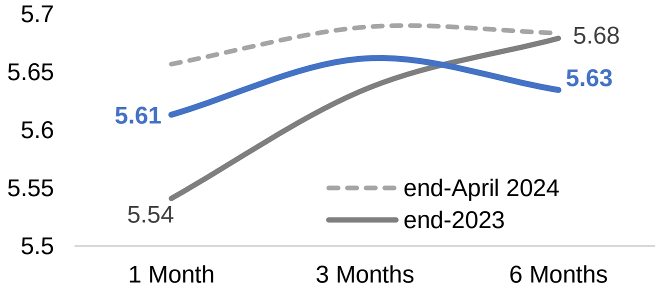
Figure 3.2 Monetary Impulse (AED bn)



Source: CBUAE

Notes: */ Structural and fine-tuning monetary operations (monetary bills, Islamic certificates of deposit, FX swaps). **/ Autonomous factors (comprise currency in circulation, state account balances, net capital flows, and other factors) ***/ The monetary impulse reflects the net change of the aggregate balance of the banking sector, autonomous factors as well as monetary operations. A positive impulse indicates an expansionary monetary base due to either a general increase of the CBUAE balance sheet or a higher increase of assets (liabilities) relative to the decrease of liabilities (assets).

Figure 3.3 Monetary Bills Yield Curve (%)



Source: CBUAE

[4] M1 consists of monetary deposits and currency in circulation outside banks.
[5] M2 is equal to M1 plus the quasi-monetary deposits.
[6] Quasi-monetary deposits include resident time deposits in AED and all types of foreign currency deposits.
[7] M3 is equal to M2 plus government deposits at the CBUAE and commercial banks.

III.2. Banking Developments

The banking system's loan portfolio continued to expand by 8.0% Y-o-Y, amidst ample bank credit capacity

Credit sentiment survey reflected positive credit sentiment of households and businesses

Strong deposit growth of 15.2% Y-o-Y, supported the continued favorable funding and liquidity conditions

Banking System Assets and Structure

The UAE banking sector's total assets reached AED 4,255 billion by the end of Q1 2024, expanding by 13.0% Y-o-Y. The number of licensed banks in the UAE remained at 61, The number of UAE national banks increased to 23, reflecting a new licensed Islamic bank, while the number of foreign banks declined by one to 38. A decline in the number of physical bank branches continued to be observed, indicating a sustained shift towards digital transformation in the UAE banking sector.

Banking System Credit and Deposits

The UAE banking system's lending portfolio continued to grow by 8.0% Y-o-Y. Domestic lending, which grew by 6.1% Y-o-Y to AED 1,777 billion as of the end of Q1 2024 was the key driver of the overall loan portfolio growth. Within the domestic loan portfolio, GREs, retail and private corporate loans were the main contributors to growth, growing by 21.4%, 12.1% and 3.2% Y-o-Y respectively. Domestic retail credit expansion remained broad-based, led by mortgage loans, personal loans, and credit cards. Foreign credit increased by 21.8% Y-o-Y, mainly to corporate borrowers in the MENA region.

The credit growth continued to be supported by favorable credit sentiment, funding conditions, and ample lending capacity. The UAE banking system's deposits growth remained robust, growing at 15.2% Y-o-Y as of the end of Q1 2024. Resident retail and private corporate deposits supported the strong deposit growth, increasing by 15.3% and 24.2% Y-o-Y respectively. Meanwhile, non-resident deposit growth has moderated following negative growth rates during the previous quarters. The loan-to-deposit ratio continued to improve to 77.0%, reflecting the UAE banking sector's ample credit capacity.

The CBUAE Credit Sentiment Survey

The CBUAE Credit Sentiment Survey emphasized robust credit conditions, shown by the rising demand for loans from households and businesses, along with the willingness of financial institutions to offer credit. The demand for personal loans improved further, while business lending also showed positive, though weaker, credit dynamics driven by ongoing investment demand. A favorable economic outlook continues to support positive credit sentiment despite the restrictive monetary policy.

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

	Q1 2023	Q2 2023	Q3 2023	Q4 2023	Q1 2024
Total Assets	**3,765**	**3,873**	**3,952**	**4,075**	**4,255**
(Y-o-Y change)	12.8%	12.3%	10.3%	11.1%	13.0%
Gross Credit	**1,896**	**1,945**	**1,982**	**1,992**	**2,047**
(Y-o-Y change)	3.5%	4.2%	5.8%	6.0%	8.0%
Domestic Credit	**1,674**	**1,717**	**1,740**	**1,738**	**1,777**
(Y-o-Y change)	2.1%	3.5%	5.1%	5.3%	6.1%
Government	216	219	213	184	188
(Y-o-Y change)	-4.8%	-1.6%	0.0%	-13.0%	-12.8%
GREs	245	264	280	293	298
(Y-o-Y change)	-7.1%	1.7%	9.7%	15.5%	21.4%
Private Sector	1,200	1,222	1,236	1,241	1,272
(Y-o-Y change)	5.9%	5.1%	5.3%	5.8%	6.0%
Retail	384	396	408	418	431
(Y-o-Y change)	7.7%	9.6%	10.7%	11.5%	12.1%
Wholesale	816	826	828	823	842
(Y-o-Y change)	5.1%	3.0%	2.9%	3.1%	3.2%
NBFIs	13	12	11	21	18
(Y-o-Y change)	-18.1%	-10.2%	-18.5%	59.7%	44.9%
Foreign Credit	**222**	**228**	**241**	**254**	**270**
(Y-o-Y change)	15.2%	9.8%	10.7%	11.0%	21.8%

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

Table 3.2 Total Deposits at UAE Banks (AED billions)

	Q1 2023	Q2 2023	Q3 2023	Q4 2023	Q1 2024
Bank Deposits	**2,306**	**2,382**	**2,421**	**2,522**	**2,657**
(Y-o-Y change)	14.9%	13.9%	10.7%	13.5%	15.2%
Resident Deposits	**2,093**	**2,171**	**2,231**	**2,320**	**2,436**
(Y-o-Y change)	16.8%	17.8%	13.9%	15.5%	16.4%
Government Sector	406	426	423	402	420
(Y-o-Y change)	39.5%	34.2%	5.4%	1.2%	3.3%
GREs	214	214	231	225	249
(Y-o-Y change)	-10.4%	0.7%	-0.5%	3.7%	16.2%
Private Sector	1,423	1,482	1,525	1,630	1,713
(Y-o-Y change)	16.6%	17.1%	19.6%	20.8%	20.4%
Retail	601	618	628	653	693
(Y-o-Y change)	15.1%	16.7%	17.1%	16.7%	15.3%
Wholesale	822	864	896	977	1,020
(Y-o-Y change)	17.7%	17.3%	21.4%	23.6%	24.2%
NBFIs	49	50	51	64	54
(Y-o-Y change)	20.8%	3.1%	3.8%	37.4%	10.0%
Non-Resident Deposits	**213**	**211**	**190**	**202**	**221**
(Y-o-Y change)	-0.7%	-15.0%	-16.8%	-5.2%	3.5%

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

III.3. Financial Developments

The UAE banking system remained resilient, with adequate capital and liquidity buffers	In Q1 2024, share prices in Dubai rose by 25.4% Y-o-Y and fell in Abu Dhabi by 3.6% Y-o-Y	CDS premiums for Abu Dhabi and Dubai further declined on the back of strong fundamentals

Financial Soundness Indicators

The UAE banking sector maintained sufficient capital levels on aggregate, with overall capital adequacy ratios remaining well above the regulatory requirements. The Capital Adequacy Ratio reached 18.0% and the CET-1 ratio improved to 15.0%, both increasing by 0.2 percentage points compared to a year ago.

The UAE banking system's double-digit deposit growth continued contributing to ample liquidity and funding buffers. The liquidity and funding ratios continued to improve with the Liquidity Coverage Ratio and Net Stable Funding Ratio at 157.7% and 113.6%, respectively.

The UAE banking system's asset quality ratio improved marginally, contributed by a decrease in the stock of non-performing loans. The Net NPL ratio moderated to 2.3% and the NPL ratio to 5.6% in the first quarter of 2024. The total provision coverage ratio increased to 94.9% and the specific provision coverage ratio to 60.8%.

Equity Markets

The Abu Dhabi Securities Market General Index, fell by 3.6% Y-o-Y in Q1 2024. The market capitalization slipped slightly to AED 2.9 trillion, brought by a fall in the shares of some major companies that constitute 25% of the total freely tradable shares. The Dubai Financial Market (DFM) General Index rose by 25.4% Y-o-Y in the first quarter of 2024. The market capitalization increased to AED 723 billion. DFM onboarded more than 44 thousand new investors, of which 85% were foreign investors.

Credit Default Swaps (CDS)

The CDS for the government of Abu Dhabi fell from 44 bps in December 2023 to 40 bps in March 2024. The Abu Dhabi CDS level continues to remain very low, a testament to its dynamic economy, strong fiscal position and large sovereign wealth funds. Abu Dhabi continues to have one of the lowest CDS premiums in the Middle East and Africa region. Dubai's CDS also fell from 71 bps in Q4 2023 to 65 bps in March 2024.

Table 3.3 UAE Financial Soundness Indicators

Indicators	Q1 2023	Q2 2023	Q3 2023	Q4 2023	Q1 2024
Capital Adequacy					
Capital Adequacy Ratio	17.8%	18.2%	18.5%	17.9%	18.0%
Tier 1 Capital Ratio	16.6%	17.0%	17.4%	16.6%	16.7%
Common Equity Tier 1 Ratio	14.8%	15.3%	15.6%	14.9%	15.0%
Liquidity and Funding					
Advances to Stable Resources Ratio"	74.8%	73.8%	76.5%	74.0%	72.4%
Net Stable Funding Ratio**	112.7%	114.4%	111.7%	112.1%	113.6%
Loan-to-deposit Ratio	82.2%	81.6%	81.9%	79.0%	77.0%
Eligible Liquid Assets Ratio	19.7%	20.8%	20.7%	22.0%	22.0%
Liquidity Coverage Ratio *	154.8%	162.5%	151.0%	160.2%	157.7
Asset Quality					
Net Non-Performing Loans Ratio***	2.9%	2.8%	2.7%	2.4%	2.3%
Non-Performing Loans Ratio****	7.1%	6.9%	6.6%	5.9%	5.6%
Specific Provision Coverage Ratio	60.8%	61.6%	60.9%	60.6%	60.8%
Total Provision Coverage Ratio	90.9%	92.7%	91.9%	93.7%	94.9%

Source: CBUAE.
Notes: Data as of end of period.
* Liquidity Coverage Ratio and Net Stable Funding Ratio apply to five approved banks.
**Eligible Liquid Assets Ratio and Advances to Stable Resources Ratio are for the UAE banking sector.

*** The Net Non-Performing Loans Ratio excludes specific provisions and provides a better indicator of asset quality, taking into account the provisioning levels in the UAE banking system.
**** For the methodology of the NPL ratio and the Net NPL ratio reporting, see CBUAE (2019): Central Bank of the UAE Enhances its Reporting of Non-performing Loans.

Table 3.4 UAE Equity Markets

			Q1-2023	Q2-2023	Q3-2023	Q4-2023	Q1-2024
Abu Dhabi	Share Price Index*	Y-o-Y	4.0%	-3.9%	0.3%	-8.6%	-3.6%
	Market Capitalization*	AED bn	2,592	2,754	2,842	2,883	2,865
		Y-o-Y	47.8%	40.3%	35.1%	12.0%	10.5%
	Traded Value**	AED bn	85	64	71	66	67
		Y-o-Y	-15.4%	-35.2%	-19.5%	-29.0%	-21.5%
Dubai	Share Price Index*	Y-o-Y	0.6%	6.1%	21.6%	19.4%	25.4%
	Market Capitalization*	AED bn	589	631	690	672	723
		Y-o-Y	39.7%	13.8%	21.6%	16.3%	22.8%
	Traded Value**	AED bn	19	27	31	22	24
		Y-o-Y	-16.3%	-0.3%	56.1%	7.9%	27.5%

Source: Securities and Commodities Authority.
Notes: *Denotes average in the month or quarter, ** Denotes end-of-month or quarter values.

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

	2022		2023				2024
	Q3*	Q4*	Q1*	Q2*	Q3*	Q4*	Q1*
Abu Dhabi	57	53	43	40	36	44	40
Dubai	126	107	78	81	70	71	65

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

III.4. Insurance Sector Developments

Gross written premiums increased by 18.5% Y-o-Y and gross paid claims increased by 18.3% in Q1 2024

Technical provisions rose by 6.9% Y-o-Y in Q1 2024

The insurance sector remained well capitalized on aggregate in Q1 2024, with healthy capital adequacy ratios and earnings ratios

Insurance Sector Structure and Activity

The UAE insurance sector continued to grow in Q1 2024, reflected by the increase in gross written premiums. The number of licensed insurance companies in the UAE remained at 60, comprising 23 traditional and 10 takaful national companies, and 27 foreign companies. The number of insurance related professions increased to 500.

The gross written premiums increased by 18.5% Y-o-Y in Q1 2024 to AED 21.1 billion, mostly due to a rise in property and liability insurance premiums by 24.6% Y-o-Y, in health insurance premiums by 15.1% Y-o-Y, and in the insurance of persons and fund accumulation premiums by 15% Y-o-Y, resulting primarily from a hike in group and individual life insurance premiums.

Gross paid claims of all types of insurance plans increased by 18.3% Y-o-Y AED 8.4 billion in Q1 2024. This was mainly driven by the increase in claims paid in property and liability insurance by 47.1% Y-o-Y, and in insurance of persons and fund accumulation.

The total technical provisions[8] of all types of insurance increased by 6.9% Y-o-Y to AED 78.8 billion in Q1 2024 compared to AED 73.7 billion in Q1 2023. The volume of invested assets of the insurance sector amounted to AED 72.2 billion (54.8% of total assets) in Q1 2024 compared to AED 70.5 billion (54.9% of total assets) in Q1 2023. The retention ratio[9] of written insurance premiums for all types of insurance was 50.2% (AED 10.6 billion) in Q1 2024, compared to 53.2% (AED 9.5 billion) Q1 2023.

Insurance Soundness Indicators

The UAE insurance sector remained well capitalized on aggregate . Own funds[10] to minimum capital requirement ratio increased to 376.9% in Q1 2024, compared to 340.6% in Q1 2023. Also, own funds to solvency capital requirement ratio reached to 194.8% in Q1 2024 compared to 198% in Q1 2023, as a result of an increase in own funds eligible to meet solvency capital requirements. Finally, own funds to minimum guarantee fund ratio decreased to 301.5% in Q1 2024 compared to 309.3% in Q1 2023.

In terms of profitability, the net total profit to net written premiums increased to 8.0% in Q1 2024, compared to 7.8% in Q1 2023. The return on average assets increased to 0.6% in Q1 2024 compared to the 0.5% in Q1 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
1- Gross Written Premiums	**17.8**	**27.2**	**42.0**	**53.5**	**21.1**
• Property & Liability	6.5	9.9	16.6	20.8	8.1
• Health Insurance	9.3	14.0	20.1	26.0	10.7
• Persons and Fund Accumulation	2.0	3.3	5.3	6.7	2.3
2- Gross Paid Claims	**7.1**	**14.1**	**23.1**	**31.7**	**8.4**
• Property & Liability	1.7	3.9	5.7	7.5	2.5
• Health Insurance	4.9	9.2	14.4	20.1	4.9
• Persons and Fund Accumulation	0.5	1.0	3.0	4.1	1.0
3- Technical Provisions	**73.7**	**76.7**	**75.0**	**75.8**	**78.8**
4- Total Invested Assets	**70.5**	**72.9**	**74.4**	**76.8**	**72.2**
5- Total Assets	**128.3**	**127.7**	**131.6**	**131.7**	**131.7**
6- Total Equity	**26.3**	**27.0**	**27.9**	**27.8**	**27.9**

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
1- Reinsurance ratio					
Retention ratio	53.2	53.8	52.5	53.2	50.2
2- Capital Adequacy Ratios					
Own funds to Minimum Capital Requirement (MCR)	340.6	352.4	349.8	364.2	376.9
Own Funds to Solvency Capital Requirement (SCR)	198.0	203.4	207.3	217.1	194.8
Own Funds to Minimum Guarantee Fund (MGF)	309.3	308.9	310.6	309.4	301.5
3- Earnings Ratios					
Net total profit to net written premiums	7.8	10.4	12.1	8.8	8.0
Return on average assets	0.5	0.5	0.6	0.35	0.6

Source: CBUAE.
Notes: *Estimated data.

[8] Technical provisions are amounts that insurers set aside and deduct to meet the insured's accrued financial liabilities as per Law's stipulations and financial regulations for insurance and Takaful companies.

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

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

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