



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	<i>Abu Dhabi Securities Market General Index</i>
AUH	<i>Zayed International Airport</i>
AED	<i>United Arab Emirates Dirham</i>
AEs	<i>Advanced Economies</i>
Bps	<i>basis points</i>
CBUAE	<i>Central Bank of the UAE</i>
CDS	<i>Credit Default Swaps</i>
CPI	<i>Consumer Price Index</i>
DEWA	<i>Dubai Electricity &amp; Water Authority</i>
DONIA	<i>Dirham Overnight Index Average</i>
DFM	<i>Dubai Financial Market</i>
DXB	<i>Dubai International Airport</i>
EIBOR	<i>Emirates Interbank Offered Rate</i>
EMDEs	<i>Emerging Markets and Developing Economies</i>
Fed	<i>Federal Reserve</i>
FOMC	<i>Federal Open Market Committee</i>
GCC	<i>Gulf Cooperation Council</i>
GDP	<i>Gross Domestic Product</i>
IMF	<i>International Monetary Fund</i>
ICDs	<i>Islamic Certificates of Deposit</i>
M1	<i>Monetary Aggregate 1</i>
M2	<i>Monetary Aggregate 2</i>
M3	<i>Monetary Aggregate 3</i>
MGF	<i>Minimum Guarantee Fund</i>
NEER	<i>Nominal Effective Exchange Rate</i>
NPL	<i>Non-Performing Loans</i>
OPEC	<i>Organization of Petroleum Exporting Countries</i>
PMI	<i>Purchasing Managers' Index</i>
pp	<i>percentage point</i>
RBI	<i>Reserve Bank of India</i>
REER	<i>Real Effective Exchange Rate</i>
REIT	<i>Real Estate Investment Trust</i>
UAE	<i>United Arab Emirates</i>
UK	<i>United Kingdom</i>
US	<i>United States of America</i>
USD	<i>United States Dollar</i>
WEO	<i>World Economic Outlook</i>
WPS	<i>Wages Protection System</i>
Y-o-Y	<i>year-on-year</i>

## Executive Summary

The UAE has demonstrated strong resilience amid global uncertainty, with UAE GDP expanding by 4.5% year on year (Y-o-Y) in Q2 2025, driven by strong non-hydrocarbon output, particularly in financial and insurance services, manufacturing and construction. The UAE's outlook remains strong, supported by higher oil production and the continued robust performance of non-oil activities. The GDP growth is forecast at 5.0% in 2025, with the non-hydrocarbon sector expanding by 4.9% and the hydrocarbon sector rebounding by 5.4% from the faster-than-expected reversal of oil production cuts following the OPEC+ quota increases. In 2026, growth is projected to accelerate to 5.2%, driven by stronger growth in both the hydrocarbon and non-hydrocarbon sectors.

Inflation in the UAE stood at 1.1% in Q3 2025, as energy costs remained in deflationary territory, while food prices continued to ease. Accordingly, the CBUAE has revised its inflation forecast for 2025 downward to 1.3% from 1.5%, due to ongoing downward trends in transportation costs and non-energy commodity prices. Inflation in 2026 is projected to rise slightly to 1.8%, mainly due to the base effects stemming from the lower inflation in 2025.

The global economy is forecast to expand by 3.2% in 2025, according to the latest IMF forecast, representing a 0.2 percentage point upward revision from its July estimate. The US growth forecast was revised up by 0.1 pp to 2.0% for 2025, with growth expected to rise marginally to 2.1% in 2026, supported by lower effective tariff rates and eased financial conditions. Growth across other advanced economies is projected to average 1.6% in 2025, while the euro area is expected to expand by 1.2%. In emerging markets and developing economies, growth is expected to decelerate slightly to 4.2% in 2025, and further to 4.0% in 2026. Meanwhile, the GCC region's growth is forecast to accelerate markedly, from 2.2% in 2024 to 4.0% in 2025.

Global inflation continues on a gradual downward trajectory, driven by moderating energy prices, easing supply chain pressures, and the lagged effects of earlier monetary tightening. According to the IMF, global inflation is projected to decline from 5.7% in 2024 to 4.2% in 2025 and further to 3.7% in 2026. Earlier in the year, the inflationary impact of newly imposed tariffs was muted due to temporary factors, including the front-loading of purchases by households and businesses, implementation delays, and healthy corporate profit margins. A depreciating US dollar also helped limit global inflation by reducing exchange rate pass-through. However, as these temporary buffers unwind, inflation is stabilising above targets in several economies, and inflation expectations remain fragile, complicating central banks' efforts to balance price stability against slowing economic activity. Reflecting these dynamics, the Fed lowered the federal funds target range in its October meeting to 3.75%–4.00%, citing rising downside risks to employment as key reasons for continuing its easing cycle.

In line with the Fed's monetary policy, the CBUAE lowered its key policy rate to 4.15% at the end of Q3 and further lowered it in October to 3.90%. Market interest rates in the UAE followed the Base Rate, with the Dirham Overnight Index Average (DONIA) down 8 basis points by the end of the quarter.

The UAE banking sector continues to show solid performance, with total assets increasing by 18.1% Y-o-Y to AED 5.2 trillion by the end of Q3 2025. The loan portfolio increased by 14.7% Y-o-Y and deposits by 15.4% Y-o-Y over the same period. Banks maintained sound capital buffers, with a capital adequacy ratio of 17.4% in Q3 2025, and improved asset quality, as the net performing loans ratio continues its declining trajectory to 1.6%.

The UAE insurance sector demonstrated solid growth, with gross written premiums and the number of insurance policies rising by 13.7% Y-o-Y and 6.9% Y-o-Y, respectively, in Q3 2025. Technical provisions and total equity increased by 2.2% and 7.8% respectively, over the same period.

The UAE residential sales market gained further momentum through the first three quarters of 2025 with double-digit growth rates for residential real estate sales transactions, reflecting continued robust demand, mainly driven by apartment sales.

Capital markets recorded high growth in Q3 2025, with the Dubai Financial Market's share price index increasing by 37.9% Y-o-Y, and the Abu Dhabi Securities Market General Index rose by 8.7% Y-o-Y. Credit default swap spreads for Abu Dhabi and Dubai remained low, underscoring strong investor confidence.

## Chapter 1

# International Economic Developments and UAE Foreign Trade



## I.1. Global Economic Outlook

Global economic growth is projected to slow to 3.2% in 2025 and further to 3.1% in 2026

Advanced economies are forecast to grow by 1.6% in both 2025 and 2026, while growth in EMDEs is expected to reach 4.2% and 4.0%, respectively

Growth in the GCC economies is expected to reach 4.0% in 2025, accelerating further to 4.5% in 2026

### Global Economy

The global economy is projected to grow by 3.2% in 2025, according to the IMF's October 2025 World Economic Outlook (WEO), marking a 0.2 percentage point (pp) upward revision from July forecasts amid gradual adaptation to trade tensions and a tempering of some tariffs. The 2026 growth forecast is unchanged at 3.1%. Despite these revisions, global growth is projected to stay below its pre-pandemic average, with risks to the outlook tilted to the downside. Heightened policy uncertainty and rising protectionism could weigh on consumption, investment, and productivity, while tighter immigration policies may constrain labour supply in ageing economies. Elevated borrowing costs could amplify fiscal and financial pressures and add to market volatility. Nonetheless, global growth could strengthen if trade agreements enhance predictability, reforms advance, and productivity gains from artificial intelligence materialise.

### Advanced Economies

After expanding by 1.8% in 2024, growth in advanced economies is projected to moderate to 1.6% in 2025 and 2026. The 2025 forecast is up 0.1 pp, while the 2026 projection is unchanged from the July estimates. However, the growth outlook remains uneven across advanced economies.

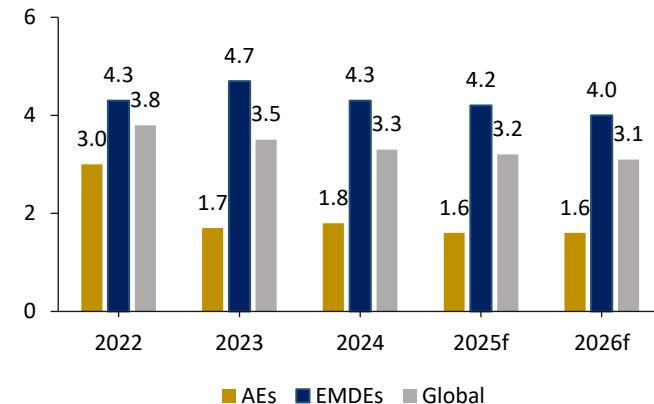
In the United States (US), growth is projected to slow to 2.0% in 2025 and remain broadly stable at 2.1% in 2026, reflecting an upward revision of 0.1 pp for both years. The marginal improvement in the outlook is supported by lower effective tariff rates from their April highs, a fiscal boost from the passage of the One Big Beautiful Bill Act, and easing financial conditions. Nevertheless, growth is set to ease from its 2024 pace amid elevated policy uncertainty, trade barriers, and slower labour and employment growth.

Growth in the euro area is projected to rise to 1.2% in 2025, a 0.2 pp upward revision from July, before easing to 1.1% in 2026, a 0.1 pp downward revision. The 2025 outlook reflects robust growth in Ireland, while elevated uncertainty and higher tariffs weigh on prospects. Improving consumption and fiscal easing in Germany should provide some support in 2026, with the economy expected to grow at its potential.

For the United Kingdom (UK), the growth forecast has been raised by 0.1 pp to 1.3% in 2025, supported by robust economic activity in the first half of the year and a more favourable external environment than previously expected. Growth is expected to remain steady at 1.3% in 2026.

Following a subdued 0.1% expansion in 2024, Japan's economy is projected to grow by 1.1% in 2025, reflecting a 0.4 pp upward revision from the July outlook. This improvement reflects sustained wage growth, which continues to support private consumption. However, growth is projected to decelerate to 0.6% in 2026.

**Figure 1.1 Global Real GDP Growth (%)**



**Source:** International Monetary Fund, World Economic Outlook – October 2025.

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

**Table 1.1 Real GDP Growth in Advanced Economies (%)**

	2022	2023	2024	2025f	2026f
<b>Global</b>	3.8	3.5	3.3	3.2	3.1
<b>AEs</b>	3.0	1.7	1.8	1.6	1.6
<b>US</b>	2.5	2.9	2.8	2.0	2.1
<b>Euro area</b>	3.6	0.4	0.9	1.2	1.1
<b>UK</b>	4.8	0.4	1.1	1.3	1.3
<b>Japan</b>	1.0	1.2	0.1	1.1	0.6

**Source:** International Monetary Fund, World Economic Outlook – October 2025.

**Notes:** f=forecast, AEs=Advanced Economies.

## Emerging Markets and the GCC Economies

According to the IMF's latest WEO, economic growth in EMDEs is projected to ease slightly to 4.2% in 2025, compared with 4.3% in 2024. This reflects a 0.1 pp upward revision from the July forecasts. Growth is expected to moderate further to 4.0% in 2026, in line with the previous projections. Although EMDEs continue to outpace the global average, performance remains highly uneven across regions.

In emerging and developing Asia, growth is forecast at 5.2% in 2025, up 0.1 pp from the earlier forecast, before slowing to 4.7% in 2026. China's growth outlook for 2025 remains unchanged, owing to stronger-than-expected results in the previous quarters, driven by front-loaded international trade and resilient consumption underpinned by fiscal expansion, which have offset the effects of rising uncertainty and tariffs. The 2026 forecast is also maintained at 4.2%. In India, growth is expected to accelerate slightly to 6.6% in 2025, a 0.2 pp upward revision from the July forecast, reflecting carryover from a strong first quarter that more than offset the impact of higher effective US tariff rates. The growth projection for 2026 has been reduced by 0.2 pp to 6.2%.

In Latin America and the Caribbean, growth is projected to remain steady at 2.4% in 2025, representing a 0.2 pp upward revision from the July forecasts. The improvement primarily reflects a stronger growth outlook for Mexico. In 2026, growth is projected to edge down slightly to 2.3%, a 0.1 pp downward revision from the previous estimate.

Growth in emerging and developing Europe is expected to decline sharply from 3.5% in 2024 to 1.8% in 2025, before recovering modestly to 2.2% in 2026. These projections remain unchanged from the July outlook.

The GCC region's economic growth is forecast to strengthen significantly, rising from 2.2% in 2024 to 4.0% in 2025, supported mainly by faster growth in the UAE and Saudi Arabia. Non-hydrocarbon sectors, such as financial services, manufacturing and wholesale and retail trade, are expected to remain resilient, underpinned by ongoing economic diversification initiatives, alongside increased oil production. Tourism and transportation sectors benefiting from large infrastructure development continue to play a pivotal role in this transition. In 2026, growth is projected to accelerate further to 4.5%, driven by a rebound in oil production and sustained momentum in the non-hydrocarbon activities.

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

	2022	2023	2024	2025f	2026f
<b>EMDEs</b>	4.3	4.7	4.3	4.2	4.0
<b>Brazil</b>	3.0	3.2	3.4	2.4	2.0
<b>China</b>	3.1	5.4	5.0	4.8	4.2
<b>India</b>	7.6	9.2	6.5	6.6	6.2

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

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

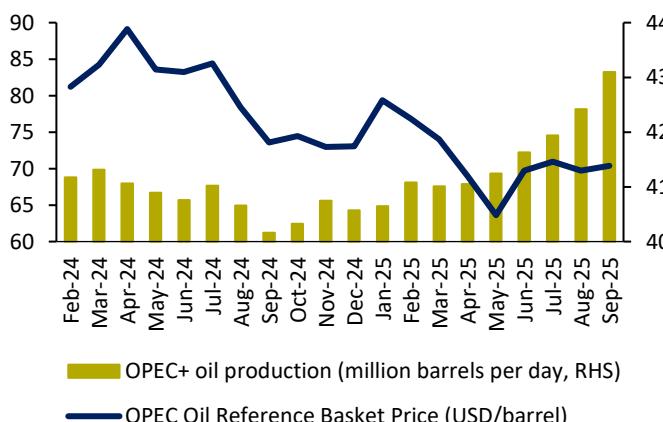
**Table 1.3 Real GDP Growth in the GCC Economies (%)**

	2022	2023	2024	2025f	2026f
<b>GCC</b>	9.5	1.5	2.2	4.0	4.5
<b>UAE</b>	7.5	4.3	4.0	5.0	5.2
<b>Saudi Arabia</b>	12.0	0.5	2.0	4.0	4.0
<b>Qatar</b>	4.2	1.5	2.4	2.9	6.1
<b>Kuwait</b>	6.8	-1.7	-2.6	2.6	3.9
<b>Oman</b>	8.0	1.2	1.7	2.9	4.0
<b>Bahrain</b>	6.2	3.9	2.6	2.9	3.3

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

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

**Figure 1.2 OPEC+ Oil Production and Oil Prices**



**Source:** Organization of Petroleum Exporting Countries.

## I.2. Inflation and Monetary Policy Responses

Global inflation is projected to decline from 5.7% in 2024 to 4.2% in 2025 and to 3.7% in 2026

Inflation trends and policy responses are diverging across advanced economies

Central banks are navigating a complex trade-off between persistent inflation and slowing activity

### Global

According to the IMF's October 2025 WEO, global inflation is projected to fall from 5.7% in 2024 to 4.2% in 2025 and further to 3.7% in 2026. Initially, the inflationary impact of tariffs was muted due to temporary factors such as households and businesses front-loading purchases, implementation delays, and healthy corporate profit margins that allowed firms to absorb higher costs. Additionally, a depreciating US dollar helped contain global inflationary pressures by eliminating exchange rate pass-through. However, as these temporary buffers unwind, inflation is stabilising above targets in several economies, and inflation expectations remain fragile, complicating central banks' efforts to balance price stability against slowing activity.

### Advanced Economies

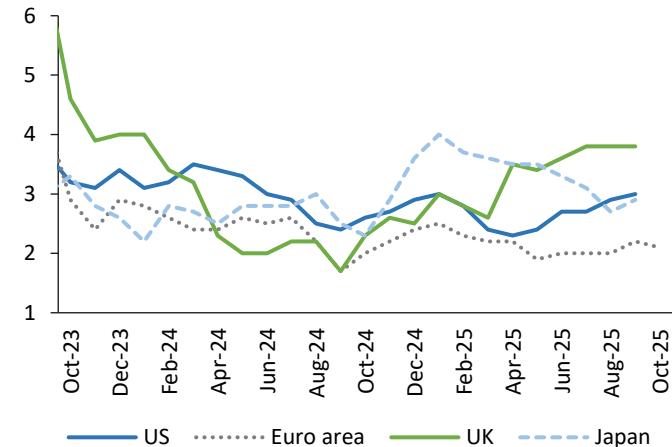
In the US, headline consumer price index (CPI) inflation edged up to 3.0% Y-o-Y in September, mainly due to a combination of higher energy prices, ongoing food inflation, and still-elevated shelter and other services costs, which together account for a large share of the CPI basket. The Fed cut rates by 25 bps at its October meeting, lowering the federal funds target range to 3.75%–4.00% following a similar cut in September, citing rising downside risks to employment as the reason for continuing its easing cycle.

Euro area inflation eased to 2.1% Y-o-Y in October, supported by slowing food prices and falling energy costs, but persistent services inflation accelerating to 3.4% prompted the European Central Bank to keep interest rates in November unchanged at 2.0%.

UK inflation remained steady at 3.8% Y-o-Y in September, with persistent pressures from transportation and restaurants, while services inflation held at an elevated 4.7%. Despite this, the Bank of England kept the Bank Rate at 4.0% in November, judging that underlying disinflation is progressing due to softer pay growth, a subdued economy, and that risks to the inflation target are now more evenly balanced.

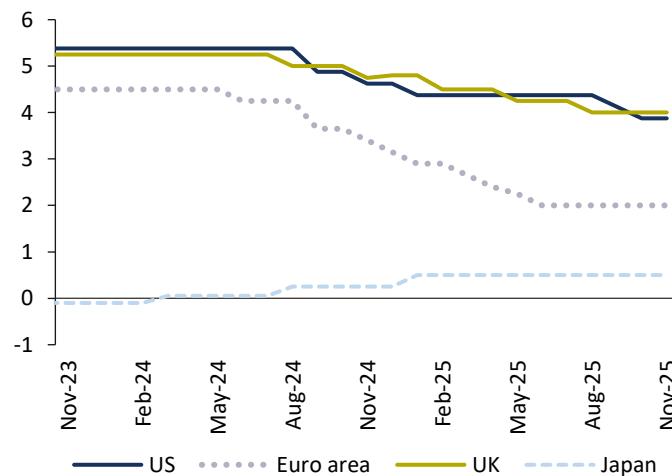
Japan's annual inflation rate rose to 2.9% Y-o-Y in September, driven by a rebound in electricity and gas prices following the expiry of government subsidies, although food inflation eased as the rise in rice prices decreased to 4.2%. At its October meeting, the Bank of Japan kept its policy rate unchanged at 0.5%, maintaining its forecast for core inflation to gradually ease back toward the 2% target in the coming years.

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



Source: Bloomberg.

**Figure 1.4 Policy Rates in Selected Advanced Economies (%)**



Source: Bloomberg.

## Emerging and GCC Economies

China's inflation rose 0.2% YoY in October 2025, marking the first increase since June and rebounding from a 0.3% deflation in September, driven by stronger non-food inflation and a slower decline in food prices. The recovery was supported by government trade-in programs and holiday spending, which boosted domestic demand and pushed core inflation to a 20-month high of 1.2%. In response to these nascent signs of demand stabilisation and amid a shifting global monetary environment, the People's Bank of China kept its key lending rates at record lows in October, maintaining the one-year Loan Prime Rate at 3.0% for a fifth consecutive month.

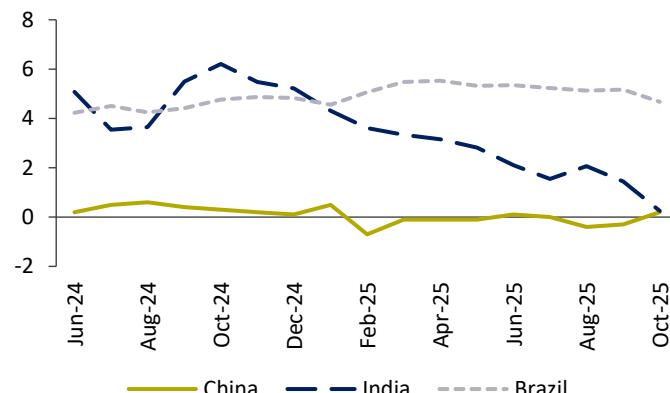
India's consumer inflation fell to a record low of 0.25% Y-o-Y in October, down from 1.44% in September and well below expectations. This marked the ninth straight month below the Reserve Bank of India (RBI)'s 4% target and the third below its 2% lower tolerance band. The decline was driven by a sharp fall in food prices, supported by improved harvests, alongside softer goods inflation following September's Goods and Services Tax rate rationalisation and moderating housing costs. The RBI kept the repo rate unchanged at 5.50% in October, after 100 bps of cumulative cuts earlier in the year, as it weighs easing inflation against global trade uncertainty.

Brazil's inflation eased to 4.7% Y-o-Y in October, marking its lowest level since January, driven by slower price increases in food, housing, and household goods. Despite this moderation, the Central Bank of Brazil kept its benchmark interest rate unchanged at 15.0% in November, citing persistent uncertainty, elevated inflation expectations for 2025 and 2026, and upside risks from resilient services inflation and exchange rate volatility. The decision underscores the commitment to ensuring that inflation converges to the target, balancing the need for price stability against signs of a moderating domestic economy.

Inflation across the GCC remained generally contained in late 2025, though trends varied by country. Saudi Arabia's inflation held at 2.2% Y-o-Y in October, with higher food and services costs offset by easing housing inflation. Qatar's inflation rose to 1.2% in September, driven by increases in miscellaneous goods, clothing, education, and food. Kuwait's inflation inched up to 2.4% in July amid stronger food and services prices, while Oman's inflation reached 1.1% in September, on higher transport and services costs. In Bahrain, inflation stabilised at 0.0% Y-o-Y in September as deflation in food and housing moderated, while education and restaurant prices picked up.

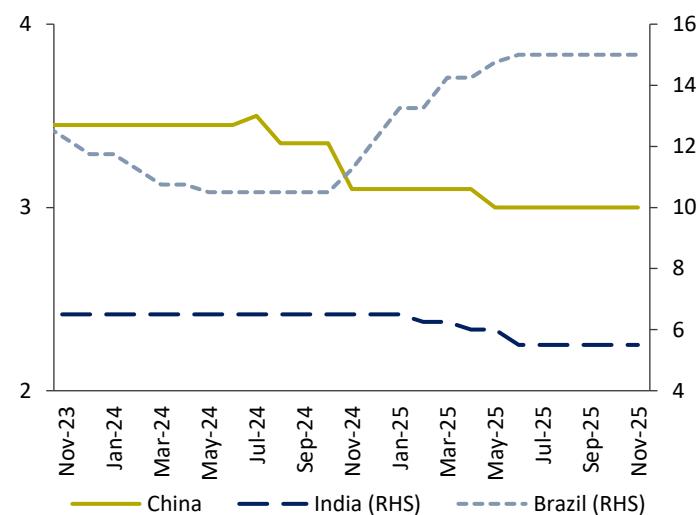
In October 2025, GCC central banks mirrored the Fed's rate reduction, adjusting or maintaining policy rates in line with their monetary regimes. The Saudi Central Bank cut its benchmark repo rate by 25 bps to 4.50%, the lowest in nearly three years, while Qatar's Central Bank lowered its key rate to 4.6%. Oman and Bahrain kept their policy rates unchanged at 4.50% and 4.75%, respectively.

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



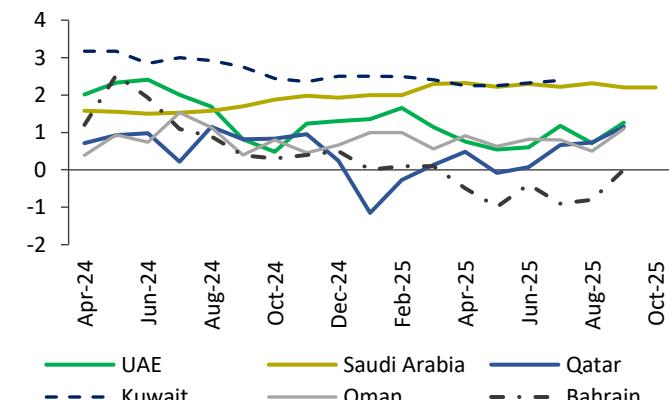
Sources: Bloomberg.

**Figure 1.6 Policy Rates in Selected Emerging Economies (%)**



Source: Bloomberg.

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



Sources: Bloomberg, Federal Competitiveness and Statistics Centre.

## I.3. Global Markets' Developments

Global financial conditions improved as sentiment held firm despite lingering uncertainties

Commodity trends diverged, driven by broad demand shifts and overall market conditions

The UAE's non-oil foreign trade of goods rose by 23.3% Y-o-Y, reaching AED 1,622 billion

### Global Financial Conditions

Global financial conditions have eased further in recent months, driven by stable risk appetite and investor sentiment. Equity indices rose across advanced and emerging markets, underpinned by optimism surrounding disinflation trends, ongoing AI-led investment enthusiasm, and expectations of monetary policy easing. High-yield corporate spreads narrowed across major regions, and portfolio inflows into EMDEs remained resilient, particularly in debt markets. At the same time, volatility remained contained despite geopolitical headwinds and uncertainty around the global economic outlook. However, the recent divergence in monetary policy signals, signs of renewed trade tensions, and growing concerns over fiscal sustainability in some economies have contributed to a more cautious investor stance. Although conditions remain broadly accommodative, their persistence will depend on inflation trends, policy credibility, and markets' reaction to potential growth setbacks.

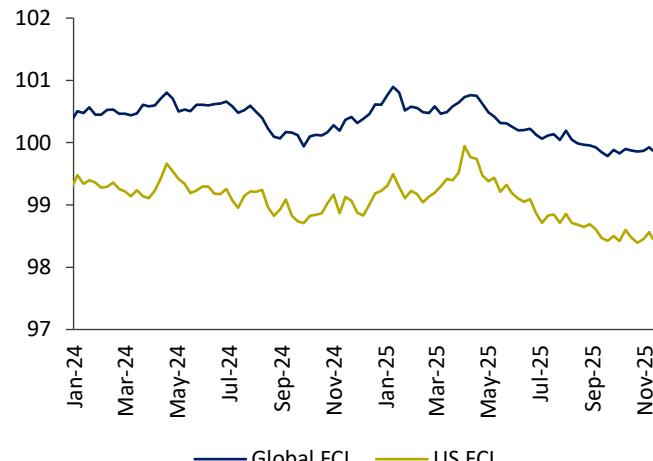
In the US, financial conditions showed signs of renewed easing in Q3, reflecting a rebound in equity markets and a decline in risk premia. Bond yields initially edged higher on firm inflation data but moderated more recently as labour market indicators softened and the Fed signalled a more dovish stance. The USD appreciated slightly, partly due to rising geopolitical uncertainty and widening policy divergences. While investor sentiment remains favourable, risks persist if inflation proves stickier than expected, geopolitical tensions escalate, or equity valuations come under pressure from over-expectations of the AI boom. Given persistent uncertainties across growth, fiscal, and policy domains, financial conditions remain subject to heightened sensitivity.

### Commodities

Brent crude averaged USD 64.7 in October, down from USD 68.0 in September, reflecting renewed pressure on prices. The decline was driven by global oversupply concerns and sluggish demand. In contrast, US Henry Hub natural gas prices edged up to USD 3.2 per MMBtu in October – slightly above August's USD 2.9 and June's USD 3.0 – pointing to a modest shift in market momentum.

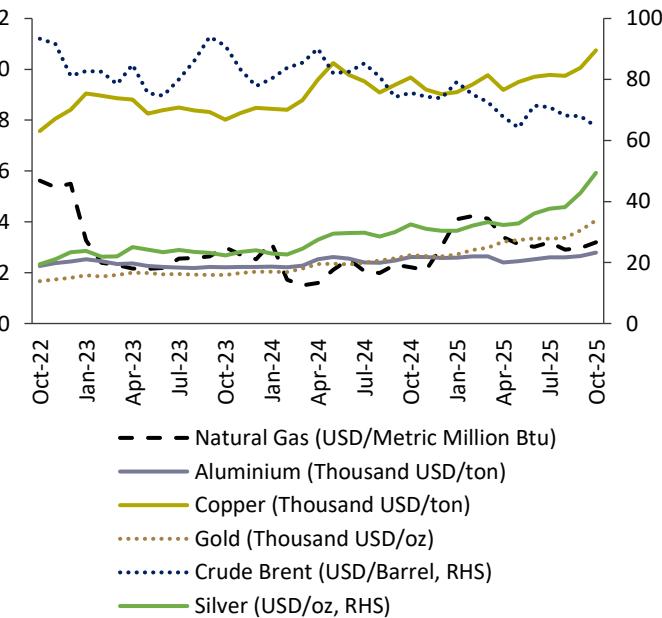
Gold averaged USD 4,058 per ounce in October 2025, marking a strong 50.8% Y-o-Y increase. The rally was driven by intensified geopolitical tensions, growing expectations of additional US interest rate cuts, and resilient safe-haven demand. Central bank buying and speculative flows further supported upward momentum, briefly pushing prices above USD 4,350 per ounce in mid-to-late October. Silver also recorded strong gains, supported by firm demand and signs of physical scarcity in the London bullion market. Meanwhile, copper and aluminium prices rose by 11.1% and 6.4% Y-o-Y, respectively, driven by strong global demand and restocking amid US-China trade policy optimism.

**Figure 1.8 Financial Conditions Indices**



Source: Goldman Sachs.

**Figure 1.9 Commodity Prices**



Source: Bloomberg.

During Q3 2025, food prices eased amid favourable harvests and ample supplies, while risks persist from subdued demand and shifting trade policies. The FAO Food Price Index declined by 0.3% Y-o-Y to 126.4 points in October, its lowest since January, driven by broad-based declines in cereals, dairy, meat, and sugar, while vegetable oils posted modest gains.

## UAE's International Trade

The UAE's non-oil foreign trade of goods rose by 23.6% Y-o-Y in the first half of 2025, reaching AED 1,622 billion. Non-oil exports increased by 45.3% compared to the same period in 2024, reaching AED 360.1 billion. This strong performance was mainly driven by a surge in gold, aluminium and jewellery exports. Switzerland was the UAE's top non-oil export destination, accounting for 18.2% of total non-oil exports, followed by India (14.3%) and Hong Kong SAR (10.2%). Gold remained the leading export good, representing 54.3% of total non-oil exports, followed by jewellery (5.0%) and aluminium (4.5%).

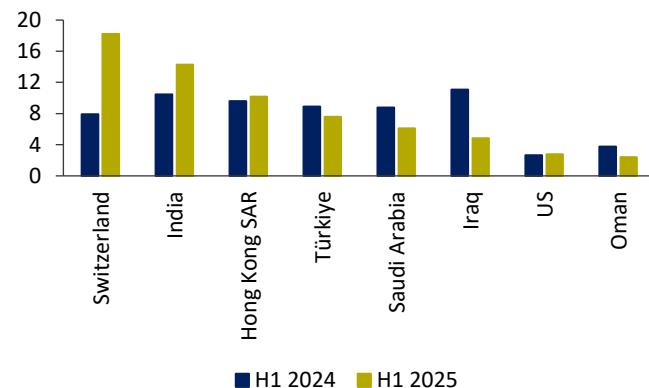
Re-exports grew by 11.0% to AED 332.6 billion in H1 2025. Saudi Arabia was the UAE's leading re-export partner, with a share of 15.5%, followed by Iraq (10.4%) and India (6.8%). Telecommunications equipment accounted for the largest share of re-exports (20.1%), with diamonds (8.9%) and motor vehicles (7.1%) also among the top categories.

Imports increased by 21.5% in the same period, reaching AED 928.9 billion. China remained the UAE's largest import partner, representing 18.2% of total imports, followed by India (6.9%) and the US (5.3%). Gold was the most imported commodity, with a share of 27.8% of total imports, while telecommunications equipment (9.2%) and motor vehicles (6.2%) ranked second and third, respectively.

## Exchange Rate

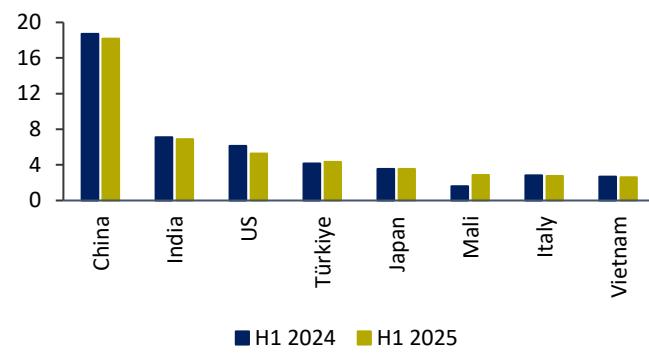
The nominal effective exchange rate (NEER), which compares the national currency against a basket of the UAE's key trading partners' currencies, depreciated by 0.1% Y-o-Y in September, in line with the weakening of the US Dollar. The real effective exchange rate (REER), which adjusts for inflation differentials between the UAE and its trading partners, also decreased by 0.7% over the same period, reflecting favourable domestic price dynamics.

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



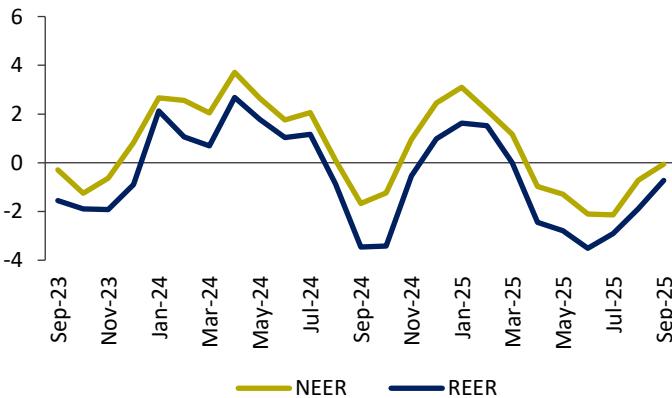
Source: Federal Competitiveness and Statistics Centre, preliminary data.

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



Source: Federal Competitiveness and Statistics Centre, preliminary data.

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



Source: CBUAE.

\* An increase means appreciation, and a decrease means depreciation.

## Chapter 2

# Domestic Economic Developments



## II.1. Economic Growth

Real GDP growth is projected to rebound from 4.0% in 2024 to 5.0% and 5.2% in 2025 and 2026, respectively

Hydrocarbon GDP growth is expected to accelerate in 2025 and 2026, following revised OPEC+ quotas

Non-hydrocarbon GDP growth is expected to remain robust during 2025 and 2026

### Overall GDP

The UAE has demonstrated strong resilience amid global uncertainty, regional conflicts, and lower, more volatile oil prices. Output growth has outperformed both global and regional averages in recent years. The first half of 2025 recorded strong real GDP growth, driven by a robust performance in non-hydrocarbon sectors, particularly in financial and insurance services, manufacturing, construction, real estate activities, wholesale and retail, and tourism and related services. UAE GDP grew by 3.9% Y-o-Y in Q1 2025 and further expanded by 4.5% Y-o-Y in Q2 2025.

### Hydrocarbon GDP

During the first nine months of 2025, oil production averaged 3.035 million barrels per day, representing a 3.7% increase compared to the same period last year. The rebound in oil production, driven by an accelerated adjustment in actual production following upward revisions to the UAE's quota, became particularly evident from June 2025, reaching its highest level in September within the first nine months of the year, with a growth rate of 14.1% Y-o-Y. Meanwhile, domestic gas production expanded by 5% in the third quarter of 2025, recovering from a 2.6% Y-o-Y decline in Q2 2025. Gas production was supported by strong demand, with gas sales growing by 4.1% Y-o-Y in Q3 2025.

### Non-Hydrocarbon GDP

The first half of 2025 recorded strong real non-hydrocarbon GDP growth, reaching 5.3% Y-o-Y in Q1 2025 and rising further to 6.1% Y-o-Y in Q2 2025. The top five sectors driving this growth include financial and insurance services (1.1 pp contribution in H1 2025), manufacturing (1.0 pp), construction (0.9 pp), wholesale and retail (0.6 pp) and real estate activities (0.5 pp). The remaining eleven sectors, with a share of 36.6%, contributed around 1.7 pp to non-hydrocarbon growth.

### GDP Outlook

The UAE's outlook remains strong, with real GDP growth supported by higher oil production and robust non-oil growth. Real GDP is projected to expand by 5.0% in 2025, driven by strong non-hydrocarbon growth of 4.9% and a 5.4% growth in the hydrocarbon sector, a rebound from 4% in 2024, following a faster-than-expected reversal of oil production cuts after the latest OPEC+ quota increase. In 2026, growth is projected to accelerate to 5.2%, driven by stronger hydrocarbon sector growth of 6.7% and non-hydrocarbon sector expansion of 4.7%.

The medium-term outlook is broadly balanced, supported by stronger-than-expected non-hydrocarbon activity, continued adoption of artificial intelligence that could boost productivity, and more favourable global conditions. However, a mild softening in external demand or shifts in global financial or energy market conditions could weigh on economic activity, although strong domestic fundamentals should help mitigate these risks.

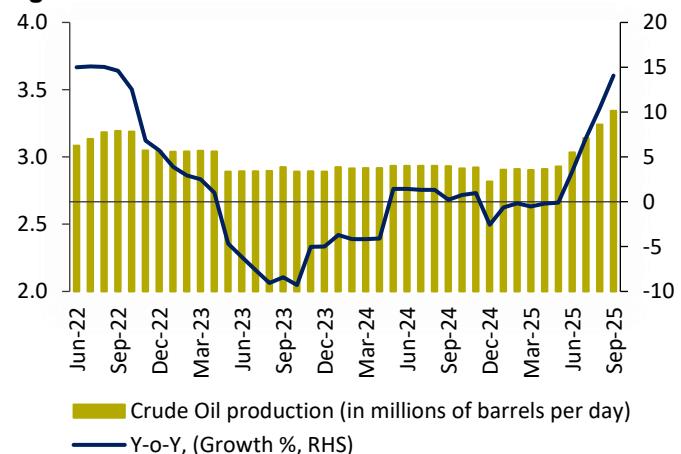
**Table 2.1 Real GDP Growth in the UAE (%)**

	2022	2023	2024	2025f	2026f
<b>Overall GDP</b>	7.5	4.3	4.0	5.0	5.2
<b>Hydrocarbon GDP</b>	8.9	-3.0	1.0	5.4	6.7
<b>Non-hydrocarbon GDP</b>	7.0	7.0	5.0	4.9	4.7

**Sources:** Federal Competitiveness and Statistics Centre (2022-2024), CBUAE (2025 and 2026).

**Note:** f=forecast.

**Figure 2.1 UAE Crude Oil Production**



**Source:** Organization of Petroleum Exporting Countries.

**Table 2.2 Top Five Contributing Sectors to Non-Hydrocarbon GDP in H1 2025**

Sectors	Shares of non-hydrocarbon GDP (%)	Growth (Y-o-Y, %)	Contributions to real non-hydrocarbon GDP growth (pp)
Financial and Insurance Activities	13.6	8.3	1.1
Manufacturing	13.6	7.0	1.0
Construction	11.5	7.9	0.9
Wholesale and Retail	16.4	3.4	0.6
Real Estate Activities	7.7	6.5	0.5
Non-hydrocarbon GDP	100.0	5.7	5.7

Source: FCSC and CBUAE calculations.

## Purchasing Managers' Index (PMI)

Economic activity in the UAE's non-hydrocarbon private sector maintained solid momentum in October 2025, reflecting resilience amid a softer global backdrop. The UAE Purchasing Managers' Index (PMI) eased slightly to 53.8 from 54.2 in September, yet remained comfortably above the neutral 50 mark and stronger than May-August readings, signalling continued expansion. Growth was supported by robust domestic demand, while export orders rose only marginally. In Dubai, business conditions strengthened further, with the PMI rising to 54.5, its highest since January 2025, driven by a rebound in output and sustained growth in new jobs. Firms reported moderate cost pressures and a slight uptick in output prices, while employment continued to expand at a steady pace.

## Employment and Wages

As of September 2025, the average number of employees covered by the CBUAE Wages Protection System (WPS)<sup>1</sup> increased by 13.9% Y-o-Y, while the average wage increased marginally by 0.3% Y-o-Y<sup>2</sup>. Overall, employment developments suggest stronger business activity, with limited inflation risks, as average wages remain stable.

## Government Revenue and Expenditure

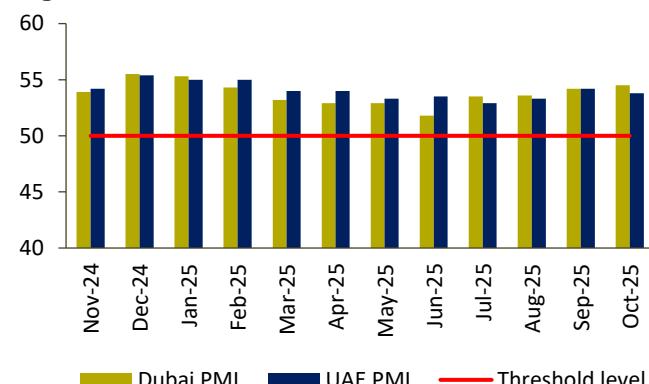
The UAE maintained a general government budget surplus in H1 2025, remaining positive at 3.8% of GDP (vs 6.4% a year earlier), demonstrating continued fiscal discipline. The narrowing surplus reflects a combination of broadly stable revenue performance alongside faster growth in public expenditure.

Total revenue increased marginally by 0.4% Y-o-Y but fell slightly as a share of GDP, from 26.4% to 25.6%, reflecting modest nominal growth relative to the broader economy. Tax revenue declined by 9.1% Y-o-Y (from 18.0% to 15.8% of GDP), partly offset by rising social contributions (+8.4%) and a strong increase in other revenues (+22.0%), suggesting that non-tax and diversified revenue sources played a more prominent stabilising role.

Total expenditure rose by 12.7% Y-o-Y, increasing from 20.0% to 21.8% of GDP. Higher spending was recorded across several categories, including compensation of employees (+5.4%), use of goods and services (+13.8%), interest payments (+11.6%), and capital expenditure (+29.9%), indicating both operational and developmental spending priorities. At the same time, subsidies experienced a substantial decline (-62.9%), while other expenses rose sharply (+191.9%), contributing to the overall increase in total expenditure.

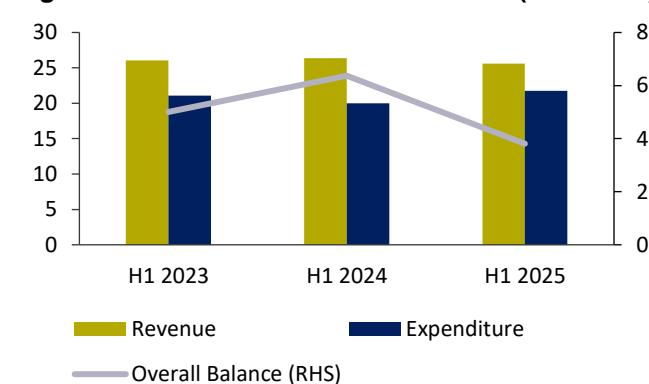
The UAE Cabinet has approved the federal budget for the fiscal year 2026, setting estimated revenues and expenditures at AED 92.4 billion, the largest in the nation's history. The budget reflects a roughly 29% increase in both revenues and expenditures compared to the 2025 plan. The allocation emphasises priority sectors such as social development and pensions (37% of the total), government affairs (29%), financial investments (17%), and infrastructure (3%), with a strategic focus on balanced development, sustainable finance, and long-term value creation.

**Figure 2.2 UAE PMI**



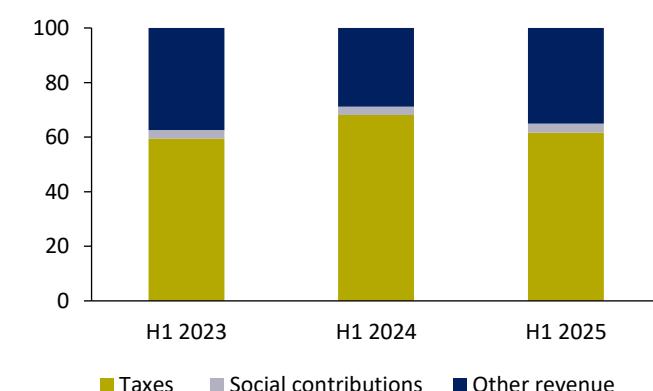
Source: S&P Global.

**Figure 2.3 Consolidated Fiscal Balance (% of GDP)**



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

**Figure 2.4 UAE Fiscal Revenue Structure as a Share of Total Revenue (%)**



Sources: UAE Ministry of Finance and CBUAE.

<sup>1</sup> Data as of 17 November 2025.

<sup>2</sup> Employment and average wage growth rates were calculated using 3-month moving average. *Quarterly Economic Review, December 2025*

## II.2. Sectoral Analysis

The UAE residential real estate sector demonstrates resilient transactions growth, supported by sustained local and global investor demand.

Aviation and tourism sectors remain key engines of UAE diversification, with record passenger volumes

Dubai welcomed 13.95 million overnight visitors in January-September 2025, a 5% Y-o-Y increase

### Residential Real Estate

The UAE residential real estate market gained further momentum through the first three quarters of 2025, with Abu Dhabi and Dubai both recording increases in overall transactional activity, indicating sustained confidence from residents and global buyers, and long-term investment appetite. Growth in Abu Dhabi was supported by strong expansion across both ready and off-plan segments, and Dubai maintained higher transactions depth, particularly within the apartments market and mortgage-financed purchases.

Abu Dhabi recorded a 57.9% Y-o-Y increase in total residential sales and mortgage transactions over the first three quarters of 2025, with growth observed across all property types and sales categories. Villa sales transactions rose in both off-plan (+19.5%) and ready (+45.0%) segments, while apartment sales activity accelerated more noticeably, with off-plan sales increasing by 65.0% and ready sales expanding by 33.4%. The simultaneous strengthening of ready and off-plan demand suggests balanced market depth, supported by a growing investor base and high-quality master-planned community offerings. Mortgage transactions recorded even stronger growth during the first three quarters of 2025, with apartment mortgages growing by 116.9%, more than doubling, while villa mortgages rose by 56.5%.

Dubai's residential sales transactions also increased, recording 17.2% Y-o-Y growth over the same period, driven primarily by high apartment sales and a noticeable rise in mortgage transactions. Villa transactions amount increased by 10%, driven by a strong 13% increase in transactions value of existing ready properties. Apartment sales strengthened, with sales of ready units increasing by 5.7% and off-plan by 29.2%. Mortgage activity increased across both property types, with villa mortgages rising by 6.1% and apartment mortgages expanding by 22.5%, highlighting sustained end-user interest.

**Figure 2.5 Number of Residential Sales and Mortgage Transactions in Abu Dhabi (in thousands)**



Source: Abu Dhabi Real Estate Centre (ADREC).

**Figure 2.6 Number of Residential Sales and Mortgage Transactions in Dubai (in thousands)**



Source: Dubai Land Department (DLD).

## Tourism and Hospitality

The tourism and hospitality sectors play a vital role in strengthening the UAE's non-hydrocarbon activity, benefitting from several initiatives of the UAE Tourism Strategy 2031. Dubai's tourism sector maintained its strong momentum in the first nine months of 2025, attracting 13.95 million international overnight visitors, up 5% from the same period in 2024. This sustained growth highlights Dubai's continued strength as a leading global tourism destination.

In Dubai, the hospitality sector also remained resilient, with hotel occupancy reaching 79% in September 2025, up from 76% a year earlier. This improvement, together with healthy revenue performance, reflects continued strength across key market segments and the effectiveness of ongoing efforts to enhance visitor experiences. Overall, these developments reinforce tourism's vital role in supporting non-oil economic growth.

## Air Transportation

Abu Dhabi's aviation sector continued to expand in the third quarter of 2025, welcoming 8.49 million passengers between July and September, a 10.1% increase compared to the same period in 2024. Zayed International Airport (AUH) remained the primary driver of this growth, handling 8.35 million passengers, up 10.4% Y-o-Y. The rise in passenger volumes was supported by higher flight activity, with total aircraft movements across Abu Dhabi's five airports reaching 67,035; an increase of 6%. AUH accounted for 49,073 flights during the period, marking a 5.9% rise from a year earlier and underscoring the airport's growing role as a key regional hub.

Dubai International Airport (DXB) continued its strong momentum in Q3 2025, delivering its strongest quarterly performance to date with 24.2 million passengers, a 1.9% Y-o-Y increase. This increase pushed total traffic for the first nine months to 70.1 million guests, up 2.1% Y-o-Y, showing Dubai's ongoing strength as a global travel and business hub. DXB's twelve-month rolling traffic reached a new high of 93.8 million passengers, supported by an average of 213 travellers per flight.

The UAE's aviation and tourism sectors remain key pillars of the country's growing non-hydrocarbon economy. The steady rise in passenger traffic and visitor numbers reflects the success of ongoing efforts to expand air connectivity, improve hospitality services, and strengthen the UAE's position as a global hub for travel and business. The continued growth of aviation and tourism is supporting broader economic activity and diversification.

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

Categories	Establishment Nos.	Total Available Rooms	Average Occupancy [Supply]
2024 September	826 Establishments	152,048	76%
		-1%	0%
2025 September	819 Establishments	152,342	79%

Source: Dubai Department of Economy and Tourism.

## II.3. Inflation

The CBUAE lowered its UAE inflation forecast for 2025 to 1.3%, while maintaining the 2026 projection at 1.8%

Easing food and transportation inflation offset the rise in housing inflation

UAE headline inflation accelerated to 1.1% Y-o-Y in Q3, up from 0.6% Y-o-Y in Q2 2025

### Headline Inflation

UAE's headline inflation accelerated to 1.1% Y-o-Y in Q3 2025, compared to 0.6% in the previous quarter. The increase was mainly driven by a reduced deflationary impact from the transportation component and a stronger contribution from the furniture and household goods item.

For the first nine months of 2025, inflation averaged 1.0%, indicating a generally stable price environment despite quarterly fluctuations. At the emirate level, Abu Dhabi recorded an average rate of 0.0%, while Dubai's inflation averaged 2.7% over the same period.

Housing, water, electricity, gas, and other utilities component, accounting for 35.1% of the consumer basket, rose by 3.7% Y-o-Y in Q3 2025, slightly below the 4.1% Y-o-Y increase recorded in Q2 2025. In contrast, the transportation price declined by 4.0% Y-o-Y in Q3 2025. Although transportation sector costs remained lower than the previous year, the decline was less pronounced than in Q2 2025, mainly due to base effects from fuel prices.

For food and beverages, the third-largest group in the consumer basket, inflation slowed considerably in Q3 2025, entering negative territory at -0.2%, down from 0.1% in Q2 2025. This shift reflects the continued easing of global food prices. Meanwhile, textiles, clothing, and footwear components continued their deflationary trend, falling by 2.7% in the third quarter. Most other components, which carry smaller weights in the consumer basket, also eased marginally during Q3 2025.

### Inflation Outlook

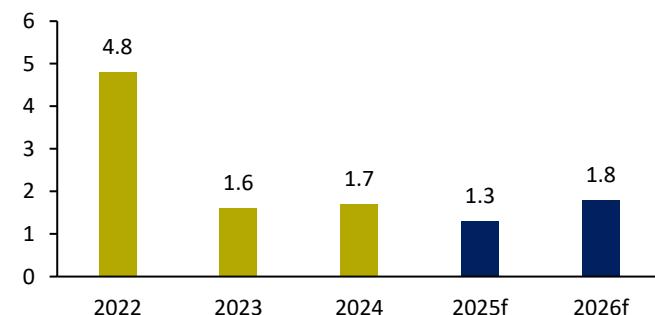
The CBUAE has revised its inflation projection for 2025 downward from 1.5% to 1.3%, from the September Quarterly Economic Review, reflecting recent price developments and year-to-date inflation outcomes that were lower than anticipated. The downward adjustment mainly stems from declining energy and food prices, which have eased cost pressures. The inflation forecast for 2026 is unchanged at 1.8%, primarily due to the base effect stemming from the lower inflation projected for 2025.

**Table 2.3 UAE CPI Inflation (Y-o-Y, %)**

	Weights	Q1 2025	Q2 2025	Q3 2025
<b>All Items</b>	100.0	1.4	0.6	1.1
<b>Housing, water, electricity, and gas</b>	35.1	3.9	4.1	3.7
<b>Transportation</b>	12.7	-3.3	-9.5	-4.0
<b>Food and beverages</b>	12.0	0.4	0.1	-0.2
<b>Education</b>	7.6	1.6	1.5	1.6
<b>Information and communication</b>	5.9	-0.6	-0.6	0.0
<b>Textiles, Clothing and Footwear</b>	5.2	-0.2	-0.4	-2.7
<b>Furniture and Household Goods</b>	5.1	-1.8	-0.1	1.9
<b>Miscellaneous Goods and Services</b>	4.9	2.8	2.9	2.3
<b>Restaurants and Hotels</b>	4.6	0.5	1.4	1.1
<b>Recreation and Culture</b>	3.1	6.7	6.4	0.9
<b>Medical Care</b>	2.2	0.4	0.4	0.2
<b>Insurance and Financial Services</b>	1.3	4	5.1	3.2
<b>Tobacco</b>	0.2	1.5	1.4	1.8

Source: Federal Competitiveness and Statistics Centre.

**Figure 2.8 UAE Inflation Outlook (CPI, %)**



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

Note: f=forecast.

## Chapter 3

# Monetary and Financial Markets Developments



### III.1. Money Supply and Interest Rates

Monetary aggregates M1, M2 and M3 in Q3 2025 grew by 15.2%, 15.1% and 14.8% Y-o-Y, respectively

The CBUAE lowered the Base Rate to 4.15% in Q3 and further to 3.90% in October

DONIA-Base Rate gap narrowed to zero in Q3 2025, reflecting the introduction of the Overnight Murabaha Facility

#### Monetary Aggregates

Money supply continued to experience significant growth in Q3 2025. M1 increased by 15.2% Y-o-Y, reaching AED 1,033 billion by the end of September 2025. This reflected a 15.5% Y-o-Y increase in Monetary Deposits, which account for 85.9% of M1, and a 13.5% Y-o-Y rise in Currency-in-Circulation Outside Banks, which constitutes 14.1% of M1. M2 grew by 15.1% Y-o-Y to AED 2,589 billion, with Quasi-Monetary Deposits rising by 15.0% Y-o-Y, representing 60.1% of M2. Additionally, M3 expanded by 14.8% Y-o-Y, reaching AED 3,123 billion, aided by a 13.6% Y-o-Y increase in Government Deposits, which represent 17.1% of M3.

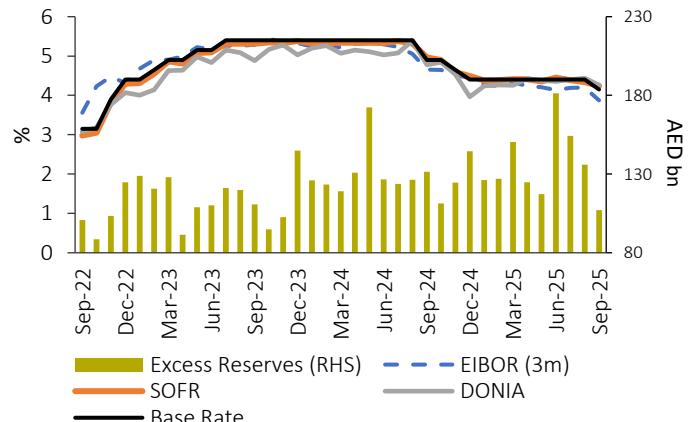
#### Interest Rates

In line with the US Federal Reserve's monetary policy, the CBUAE lowered its key policy rate (Base Rate) to 4.15% at the end of Q3, from 4.40% in Q2. The Base Rate was lowered further in October to 3.90% following the Federal Open Market Committee (FOMC) meeting. Market interest rates in the UAE followed the Base Rate, with the Dirham Overnight Index Average (DONIA) down 8 basis points by the end of the quarter. 3-month EIBOR – a key benchmark for floating rate loans and derivatives – also drifted lower, down 26 bps.

Banks' Aggregate Balance declined by AED 68.9 bn in Q3, falling to AED 361.5 billion and resulting in a negative monetary impulse overall. This was primarily driven by Monetary Operations, which detracted 43.1 billion, reflecting net issuances of M-Bills and Islamic Certificates of Deposit (ICDs). A further reduction came from an AED 26.7 billion increase in the State Account Balance due to corporate tax payments. This was partially offset by a decrease in Currency in Circulation. The fall in the Aggregate Balance also led to a fall in banks' Liquidity Surplus, which fell below AED 100 bn by quarter-end. Nonetheless, overnight interest rates remained well-anchored to the Base Rate, suggesting that system-level liquidity remained abundant. Banks' Aggregate Balance and Liquidity Surplus have both increased since the beginning of Q3 on account of maturing M-Bills.

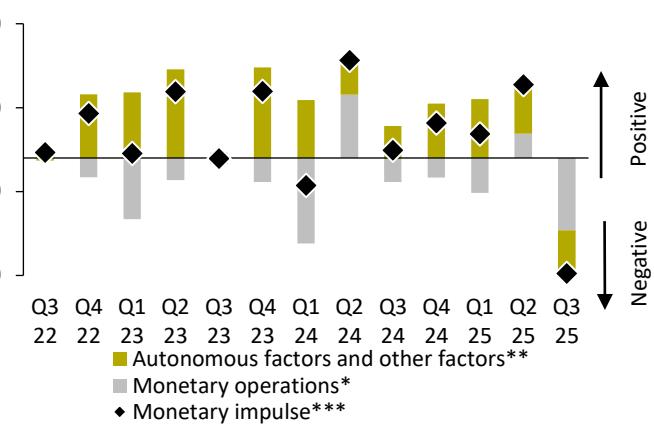
M-Bill yields declined across the curve from Q2 to Q3, in line with movements in US Treasury Bill yields. This was consistent with the reduction in the US Federal Funds rate target band, as well as expectations of continued monetary policy easing. M-Bill yields declined further in October, reflecting the additional rate cut that month. Outstanding M-Bills volumes increased to AED 262.7 billion at the end of September, up from AED 225.7 billion at the end of June.

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



Sources: Bloomberg, CBUAE.

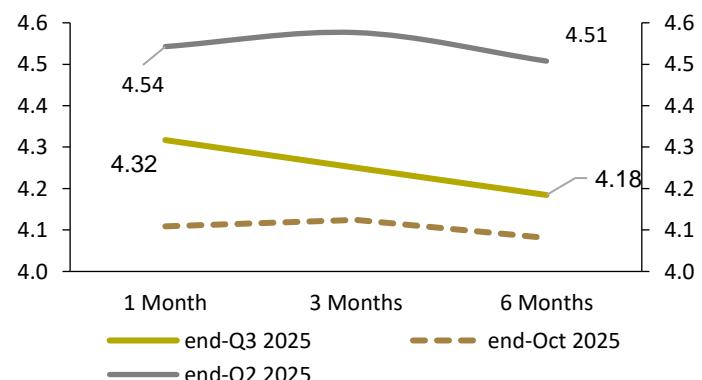
**Figure 3.2 Monetary Impulse**



Source: CBUAE.

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

**Figure 3.3 Monetary Bills Yield Curve (%)**



Source: CBUAE.

## III.2. Banking Developments

Banking system lending grew by 14.7% Y-o-Y, primarily driven by loans to the retail and private corporate sectors

Favourable funding and liquidity conditions remained solid, backed by a double-digit deposit growth of 15.4% Y-o-Y

Asset quality ratios of the UAE banking system improved further in Q3 2025, with a decline in the stock of Non-Performing Loans

### Banking System Assets and Structure

The UAE's total banking system assets increased by 18.1% Y-o-Y to AED 5.2 trillion by the end of Q3 2025. The UAE banking sector consisted of 61 banks, including 23 UAE national banks and 38 branches of foreign banks operating in the UAE.

### Banking System Credit and Deposits

The UAE banking system's loan portfolio grew by 14.7% Y-o-Y, driven by the UAE's solid economic momentum and ample funding. The main drivers in the UAE banks' loan portfolio were retail and private corporate, which increased by 16.1% and 13.9% Y-o-Y, respectively.

The UAE banks also maintained a robust deposit growth of 15.4% Y-o-Y, underpinning the continued strong lending capacity. The primary contributors to growth in deposits were private corporate and retail segments, which rose by 17.5% and 12.8% Y-o-Y, respectively.

### Financial Soundness Indicators

The aggregate capital ratios of the UAE banking system remained adequate, well above the minimum requirement. The Capital Adequacy Ratio (CAR) edged lower to 17.4%, driven by higher growth of risk-weighted assets (primarily due to lending growth) relative to the growth of capital.

Funding and liquidity levels of the UAE banking system remained favourable in Q3 2025, bolstered by robust deposit growth. The loan-to-deposit ratio reached 77.8%. In addition, the liquidity and stable funding ratios remained well above the regulatory requirement.

The asset quality ratios for the UAE banking system continued to improve further in Q3 2025, reaching 1.6% for the Net NPL ratio and 3.6% for the NPL ratio. The improvement in asset quality ratios was driven by a robust decline in the stock of NPLs by 20.2% Y-o-Y.

**Table 3.1. Assets and Credit (AED billion)**

	Q3 2024	Q4 2024	Q1 2025	Q2 2025	Q3 2025
<b>Total Assets</b>	<b>4,402</b>	<b>4,559</b>	<b>4,719</b>	<b>4,973</b>	<b>5,200</b>
(Y-o-Y, %)	11.4	12.0	10.9	15.4	18.1
<b>Gross Credit</b>	<b>2,162</b>	<b>2,181</b>	<b>2,240</b>	<b>2,334</b>	<b>2,479</b>
(Y-o-Y, %)	9.1	9.5	9.4	11.1	14.7
<b>Domestic Credit</b>	<b>1,860</b>	<b>1,843</b>	<b>1,869</b>	<b>1,911</b>	<b>2,012</b>
(Y-o-Y, %)	6.9	6.0	5.2	5.2	8.2
<b>Foreign Credit</b>	<b>302</b>	<b>338</b>	<b>371</b>	<b>424</b>	<b>467</b>
(Y-o-Y, %)	25.1	33.1	37.3	48.9	54.5

Source: CBUAE.

Note: Data as end of the period.

**Table 3.2. Total Deposits (AED billion)**

	Q3 2024	Q4 2024	Q1 2025	Q2 2025	Q3 2025
<b>Bank Deposits</b>	<b>2,761</b>	<b>2,847</b>	<b>2,936</b>	<b>3,046</b>	<b>3,186</b>
(Y-o-Y, %)	14.1	12.9	10.5	13.1	15.4
<b>Resident Deposits</b>	<b>2,548</b>	<b>2,601</b>	<b>2,689</b>	<b>2,789</b>	<b>2,891</b>
(Y-o-Y, %)	14.2	12.1	10.3	12.9	13.5
<b>Non-Resident Deposits</b>	<b>213</b>	<b>246</b>	<b>249</b>	<b>257</b>	<b>295</b>
(Y-o-Y, %)	12.3	21.9	12.5	16.0	38.0

Source: CBUAE.

Note: Data as end of the period.

**Table 3.3. UAE Financial Soundness Indicators (%)**

	Q3 2024	Q4 2024	Q1 2025	Q2 2025	Q3 2025
<b>Capital Adequacy</b>					
<b>Capital Adequacy Ratio</b>	18.6	17.8	17.6	17.3	17.4
<b>Tier 1 Capital Ratio</b>	17.2	16.4	16.2	16.0	16.2
<b>Common Equity Tier 1 Ratio</b>	15.5	14.7	14.7	14.6	14.8
<b>Liquidity and Funding</b>					
<b>Advances to the Stable Resources Ratio</b>	72.9	72.2	72.8	73.8	75.1
<b>Loan-to-deposit Ratio</b>	78.3	76.6	76.3	76.6	77.8
<b>Eligible Liquid Assets Ratio</b>	21.2	21.3	21.4	20.6	19.0
<b>Asset Quality</b>					
<b>Net Non-Performing Loans Ratio</b>	2.3	2.0	1.8	1.7	1.6
<b>Non-Performing Loans Ratio</b>	5.2	4.7	4.3	3.9	3.6

Source: CBUAE.

Note: Data as end of the period.

### III.3. Insurance Developments

In Q3 2025, gross written premiums, number of insurance policies and gross paid claims increased by 13.7%, 6.9%, and 7.9%, respectively

Total technical provisions and total equity showed an increase of 2.2% and 7.8%, respectively, in Q3 2025

The insurance sector remained well capitalised in Q3 2025, with healthy capital adequacy and return on average assets

#### Insurance Sector Structure and Activity

The insurance sector continued to grow in Q3 2025 in terms of written premiums, technical provisions, claims paid and equity. The sector remained healthy, with robust capital adequacy ratios and return on assets.

The number of licensed insurance companies stood at 58, consisting of 22 traditional national, 10 takaful national companies, and 26 branches of foreign insurance companies operating in the country.<sup>3</sup> The number of insurance-related professions increased to 514.

#### Key Performance Indicators

The Gross Written Premiums increased by 13.7% Y-o-Y to AED 57.8 billion in Q3 2025, driven primarily by growth in property and liability insurance premiums by 14.5% Y-o-Y, health insurance premiums by 13.9% Y-o-Y, and insurance of persons and fund accumulation premiums by 9.6% Y-o-Y, resulting primarily from an increase in group life insurance premiums.

Gross paid claims of all types of insurance plans increased by 7.9% Y-o-Y to AED 32.3 billion in Q3 2025, comprising property and liability insurance claims to AED 11.7 billion, health insurance claims to AED 18.9 billion, and insurance of persons and fund accumulation claims to AED 1.7 billion.

In Q3 2025, the total technical provisions<sup>4</sup> increased by 2.2% Y-o-Y to AED 99.4 billion. The volume of invested assets in insurance rose to AED 86.4 billion (57.9% of total assets) compared to AED 83.2 billion (52.1% of total assets) during the same period in 2024. The retention ratio<sup>5</sup> of written insurance premiums was 51.9% (AED 30.0 billion) in Q3 2025, compared to 53.8% (AED 27.3 billion) in the previous year.

#### Insurance Soundness Indicators

The UAE insurance sector remained well-capitalised. With regard to the various capital adequacy ratios, the own funds<sup>6</sup> to Minimum Capital Requirement ratio increased to 434.9% in Q3 2025, up from 389.2% in Q3 2024, driven by higher own funds eligible to meet minimum capital requirements. The own funds to Solvency Capital Requirement ratio also increased, reaching 241.7% in Q3 2025 compared to 198.5% in Q3 2024. Similarly, the own funds to Minimum Guarantee Fund ratio rose 331.9% in Q3 2025, up from 288.9% a year earlier.

In terms of profitability, the net total profit to net written premiums ratio reached 11.6% in Q3 2025. The return on average assets ratio was 0.9% in Q3 2025, compared with 0.5% in Q3 of the previous year.

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

	2024				2025*		
	Q1	H1 (Q1+Q2)	Q1-Q3 (Q1+Q2+Q3)	Full Year	Q1	H1 (Q1+Q2)	Q1-Q3 (Q1+Q2+Q3)
<b>1- Gross Written Premiums</b>	<b>21.0</b>	<b>35.7</b>	<b>50.8</b>	<b>65.1</b>	<b>23.9</b>	<b>40.9</b>	<b>57.8</b>
• Property & Liability	7.9	13.8	20.9	26.3	9.0	16.3	24.0
• Health Insurance	11.3	18.3	24.4	31.3	12.9	20.7	27.8
• Persons and Fund Accumulation	1.8	3.6	5.5	7.5	2.0	4.0	6.0
<b>2- Gross Claims Paid</b>	<b>9.3</b>	<b>18.9</b>	<b>29.9</b>	<b>41.6</b>	<b>11.0</b>	<b>21.5</b>	<b>32.3</b>
• Property & Liability	2.6	5.7	9.5	13.7	4.5	8.0	11.7
• Health Insurance	5.2	10.7	16.5	22.8	6.0	12.3	18.9
• Persons and Fund Accumulation	1.5	2.5	3.9	5.1	0.5	1.2	1.7
<b>3- Technical Provisions</b>	<b>84.3</b>	<b>94.2</b>	<b>97.2</b>	<b>92.2</b>	<b>95.5</b>	<b>100.1</b>	<b>99.4</b>
<b>4- Total Invested Assets</b>	<b>78.5</b>	<b>78.7</b>	<b>83.2</b>	<b>84.9</b>	<b>82.0</b>	<b>84.4</b>	<b>86.4</b>
<b>5- Total Assets</b>	<b>146.4</b>	<b>154.8</b>	<b>159.6</b>	<b>155.5</b>	<b>142.1</b>	<b>147.4</b>	<b>149.2</b>
<b>6- Total Equity</b>	<b>28.6</b>	<b>28.0</b>	<b>30.1</b>	<b>31.6</b>	<b>31.1</b>	<b>31.4</b>	<b>32.4</b>

Source: CBUAE.

Notes: \* Preliminary data, cumulative at the end of the period.

**Table 3.5 Insurance Soundness Indicators (%)**

Description	2024				2025*		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3
<b>1- Reinsurance ratio</b>							
Retention ratio	53.0	53.1	53.8	54.9	50.8	52.5	51.9
<b>2- Capital Adequacy Ratios</b>							
Own funds to Minimum Capital Requirement (MCR)	365.8	376.0	389.2	381.9	393.2	423.4	434.9
Own Funds to Solvency Capital Requirement (SCR)	193.8	185.8	198.5	195.7	204.1	229.5	241.7
Own Funds to Minimum Guarantee Fund (MGF)	297.5	286.7	288.9	272.8	294.7	328.9	331.9
<b>3- Earnings Ratios</b>							
Net total profit to net written premiums	7.6	6.0	7.1	7.3	7.3	10.5	11.6
Return on average assets	0.6	0.7	0.5	0.3	0.8	0.9	0.9

Source: CBUAE.

Notes: \*Estimated data.

<sup>3</sup> One foreign company practice reinsurance only.

<sup>4</sup> 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.

<sup>5</sup> The retention ratio is calculated as the ratio of net written premium to gross written premium.

<sup>6</sup> Own funds consist of the capital that an insurance company has available to meet solvency requirements, which includes admissible assets less liabilities.

## III.4. Financial Developments

In Q3 2025, share prices in Dubai rose by 37.9% Y-o-Y and in Abu Dhabi by 8.7% Y-o-Y

In Q3 2025, both Abu Dhabi's and Dubai's CDS premiums declined, continuing to reflect low sovereign risk

The CBUAE Credit Sentiment Survey in Q3 2025 revealed solid credit conditions reflecting ongoing confidence in the UAE economy

### Equity Markets

The Abu Dhabi Securities Market General Index (ADX) rose by 8.7% Y-o-Y in Q3 2025. Market capitalisation reached an average of AED 3.1 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 increased by 37.9% Y-o-Y in Q3 2025. Market capitalisation reached an average of AED 1 trillion, with the continued contributions from newly added Dubai Residential REIT, the largest real estate investment trust in the GCC, Emaar Development, DEWA, and Salik. These gains were further supported by the noticeable increase in market liquidity and activity.

### Credit Default Swaps (CDS)

The CDS spreads for the government of Abu Dhabi fell further from 39.3 bps in Q2 2025 to 30.1 bps in Q3 2025. Abu Dhabi's CDS levels remain very low, reflecting its low-risk economic profile, strong fiscal position, and substantial buffers held by sovereign wealth funds. Abu Dhabi continues to maintain one of the lowest CDS premiums in the Middle East and Africa region. Dubai's CDS also declined from 58.4 bps in Q2 2025 to 55.0 bps in Q3 2025, and remains at comparatively low levels.

### The CBUAE Credit Sentiment Survey

Solid credit conditions persisted through Q3, with demand indicators remaining well above their long-run averages for both households and corporates. On the supply side, financial institutions continued to report a robust appetite to extend credit. Favourable economic conditions, higher household incomes, a supportive investment environment, and increased government expenditure continued to underpin credit activity and reflect ongoing confidence in the strength and outlook of the UAE economy. Looking forward, recent credit conditions are expected to persist, maintaining momentum in both demand for and supply of credit.

**Table 3.6 UAE Equity Markets**

			Q3 2024	Q4 2024	Q1 2025	Q2 2025	Q3 2025
Abu Dhabi Securities Market	Share Price Index*	Y-o-Y, %	-4.5	-1.8	1.9	8.1	8.7
	Market Capitalisation*	AED bn.	2860	2931	2959	3007	3128
		Y-o-Y, %	0.6	1.7	3.3	9.2	9.4
	Traded Value**	AED bn.	77	75	83	96	80
Dubai Financial Market	Share Price Index*	Y-o-Y, %	9.3	13.8	23.9	59.7	3.8
	Market Capitalisation*	AED bn.	733	821	912	953	1014
		Y-o-Y, %	6.3	22.2	26.1	38.9	38.3
	Traded Value**	AED bn.	24	33	40	43	43
		Y-o-Y, %	-21.3	51.4	64.9	99.1	76.0

Source: Securities and Commodities Authority.

Notes: \* Denotes averages for the period, \*\* Denotes end-of-period values.

**Table 3.7 UAE – Sovereign Credit Default Swaps (average, bps)**

	2024			2025	
	Q3*	Q4*	Q1*	Q2*	Q3*
Abu Dhabi	39.8	42.5	39.2	39.3	30.1
Dubai	62.0	62.4	59.2	58.4	55.0

Source: Bloomberg.

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