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List of Abbreviations

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

Executive Summary

The UAE economy continued to expand in Q1 2026, with real GDP rising by 3.0% year-on-year, driven mainly by strong non-hydrocarbon performance. Non-oil GDP grew by a robust 4.8%, underscoring the ongoing diversification of the economy. Financial and insurance activities were a key growth engine, surging by 17.3%, contributing 2.4 percentage points to non-oil GDP growth, followed by construction, which expanded by 8.1%, adding 1.0 percentage point to non-oil GDP growth. Hydrocarbon GDP is set to strengthen, supported by a sharp rebound in oil production, which rose to near record highs of 3.8 mbd in June and July 2026.

Looking ahead, the UAE economy is expected to maintain sustained positive momentum, with overall real GDP growth projected at 1.6% in 2026 and 10.4% in 2027. This favourable outlook is underpinned by strong macroeconomic fundamentals, sizeable fiscal buffers, and supportive proactive policy measures, including the CBUAE Financial Institution Resilience Package, Dubai's AED 2.5 billion initiative, and continued infrastructure-related public spending.

Inflation in the UAE is forecast at 2.4% in 2026 and 1.9% in 2027, remaining below global averages. Contained housing costs, regulated staple food prices, and close monitoring of key consumer prices support stability, while easing global cost pressures and effective policy measures reinforce a moderate low-inflation outlook.

The global economy is projected to grow by 3.0% in 2026, a 0.1 pp lower than the estimate published in April. This would represent a moderate easing from average annual growth of 3.5% over 2024–25. The outlook reflects a combination of factors, including support from investment related to artificial intelligence and the global technology cycle, alongside the effects of ongoing external developments. Risks to the outlook are assessed as more balanced than in April, while remaining tilted to the downside. Developments affecting commodity markets, trade conditions and financial markets could influence inflation and global financing conditions. Growth prospects are also expected to differ across countries, reflecting varying exposure to external developments and differing levels of participation in technology-related value chains. Growth in advanced economies is expected to moderate to 1.7% in 2026, from 1.9% in 2025. In the US, GDP growth is projected at 2.3% in 2026, unchanged from the April forecast, supported by relatively accommodative financial conditions and technology-related investment. Growth in EMDEs is projected to ease to 3.8% in 2026, with outcomes expected to vary across economies.

The IMF's July inflation projections suggest global disinflation has stalled. Global inflation is forecast to increase from 4.1% in 2025 to 4.7% in 2026, representing a 0.3 percentage point upward revision from April, primarily reflecting higher energy and food prices. Inflation expectations are generally assessed as remaining contained. In the United States, recent inflation data have indicated broadly moderate price pressures, with headline inflation slowing to 3.4% year-on-year in July and core inflation declining to 2.5%, its lowest reading in five months. Nevertheless, inflation developments remain subject to uncertainty, including potential changes in commodity prices, trade conditions and broader global developments. Against this backdrop, the Federal Reserve has maintained its federal funds target range at 3.50%–3.75% during 2026.

In line with the Federal Reserve's monetary policy stance, the CBUAE maintained its Base Rate at 3.65% during the second quarter of 2026 and through July. UAE money-market rates remained broadly aligned with the Base Rate, with the Dirham Overnight Index Average (DONIA) averaging around 3 basis points above it.

The UAE banking sector recorded robust growth, with total assets rising by 12.5% Y-o-Y to AED 5.6 trillion by the end of Q2 2026. The loan portfolio expanded by 18.1% Y-o-Y, while deposits grew by 14.0% Y-o-Y over the same period. Banks maintained strong capital positions, with the capital adequacy ratio at 17.0% in Q2 2026, alongside improved asset quality, as indicated by a net non-performing loans ratio of 1.3%. The UAE insurance sector continued to grow, with gross written premiums rising 11.0% Y-o-Y in H1 2026. Technical provisions and total equity increased by 6.8% and 15.6%, respectively, over the same period.

UAE equity markets maintained broadly stable conditions in Q2 2026. The ADX General Index stood at 9,804 points, with market capitalisation reaching AED 2.9 trillion at the end of Q2, while the DFM General Index increased by 4.4% year-on-year to 5,956 points. Sovereign credit default swap spreads for Abu Dhabi and Dubai remained at comparatively low levels, consistent with continued investor confidence in the UAE's economic fundamentals and longer-term outlook.

Chapter 1

International Economic Developments



I.1. Global Economic Outlook

Global economic growth is forecast to ease to 3.0% in 2026, before expanding to 3.4% in 2027

Advanced economies are projected to grow by 1.7% and 1.8%, while EMDEs are projected to expand by 3.8% and 4.5% in 2026 and 2027, respectively

Strong economic growth is expected across the GCC in 2027, supported by a normalisation in energy production and transportation activity

Global Economy

The global economy is projected to grow by 3.0% in 2026 before expanding by 3.4% in 2027, according to the IMF’s July 2026 WEO Update. While geopolitical developments continue to contribute to uncertainty, global activity is supported by stronger momentum in the technology sector, including investment associated with advances in artificial intelligence. Nevertheless, growth prospects are uneven across economies, reflecting varying exposure to external developments and differences in integration into technology value chains.

Risks to the outlook are more balanced than in April, but remain tilted to the downside. Further geopolitical developments could contribute to volatility in commodity markets, disrupt supply chains, increase inflation pressures, and tighten financial conditions, while trade fragmentation and limited policy buffers may amplify pressures. On the upside, AI-driven investment, energy market normalisation, lower trade barriers, and structural reforms could improve the growth outlook. Preserving price stability, rebuilding fiscal buffers and advancing structural reforms are crucial to ease the strain from geopolitical developments.

Advanced Economies

After expanding 1.9% in 2025, advanced economies are projected to moderate to 1.7% in 2026 and 1.8% in 2027. Relative to April, the 2026 forecast was revised down by 0.1 pp but raised by 0.1 pp for 2027. Country-level revisions remain uneven. Economies benefiting from favourable terms of trade or stronger AI-driven technology integration have seen more resilient prospects, whereas net energy importers continue to face headwinds from higher energy prices.

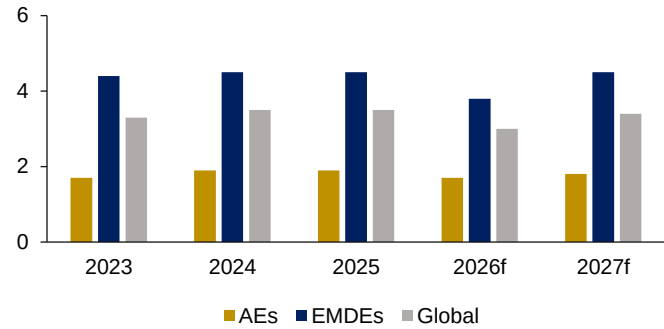
In the US, growth is projected at 2.3% in 2026 and 2.2% in 2027, unchanged from the April forecast. Economic activity should remain supported by fiscal policy, accommodative financial conditions, ongoing tech-related investment, and productivity gains. As a net energy exporter, the US is relatively insulated from higher energy prices, although broader external developments could still affect the outlook.

Across the euro area, growth is forecast at 0.9% in 2026, rising to 1.2 % in 2027. The 2026 outlook was revised down by 0.2 pp from April, reflecting sizable negative carryover from Q1, subdued momentum, the drag from higher energy prices, and soft consumer confidence.

In the UK, growth is expected to moderate to 1.0% in 2026, before improving to 1.3% in 2027 as the effects of the energy shock gradually fade. The April forecast for 2026 was revised up by 0.2 pp, reflecting a more resilient outlook.

Japan’s economy is projected to slow to 0.6% in 2026, with government support measures helping to absorb the impact of higher energy prices. As these pressures gradually ease, growth is expected to recover modestly to 0.7% in 2027. The 2026 forecast has been revised down by 0.1 pp from the April WEO.

Figure 1.1 Global Real GDP Growth (%)



Source: International Monetary Fund, WEO Update – July 2026.
Note: f=forecast, AEs= Advanced Economies, EMDEs= Emerging Markets and Developing Economies.

Table 1.1 Real GDP Growth in Advanced Economies (%)

	2023	2024	2025	2026f	2027f
Global	3.3	3.5	3.5	3.0	3.4
AEs	1.7	1.9	1.9	1.7	1.8
US	2.9	2.8	2.1	2.3	2.2
Euro area	0.4	1.0	1.4	0.9	1.2
UK	0.3	1.0	1.4	1.0	1.3
Japan	0.7	-0.2	1.1	0.6	0.7

Source: International Monetary Fund, WEO Update - July 2026.
Note: f=forecast, AEs=Advanced Economies.

Emerging Markets and the GCC Economies

According to the IMF's July WEO Update, economic growth in EMDEs is projected to slow from 4.5% in 2025 to 3.8% in 2026, representing a 0.1 pp downward revision from the April forecast, before recovering to 4.5% in 2027, 0.3 pp higher than previously projected. Growth prospects remain uneven, reflecting differences in exposure to commodity and regional shocks, reliance on tourism and remittances, sensitivity to global financial conditions, and integration into the global technology cycle.

Across emerging and developing Asia, growth is forecast to moderate from 5.6% in 2025 to 5.0% in 2026, 0.1 pp higher than the April forecast, before easing further to 4.8% in 2027.

China's economy is expected to grow by 4.6% in 2026, a 0.2 pp upward revision from the April forecast. The improved outlook reflects stronger-than-expected activity in the first quarter, although higher global oil prices, prolonged uncertainty, and persistent structural headwinds are expected to constrain growth. Economic activity is projected to moderate further to 4.1% in 2027 as these pressures continue to weigh on the outlook.

India's economy is projected to expand by 6.4% in 2026, 0.1 pp below the April forecast, supported by strong momentum in private consumption and services activity. Growth is expected to strengthen to 6.7% in 2027, 0.2 pp higher than the previous forecast, keeping India among the fastest-growing major economies.

In Latin America and the Caribbean, growth is projected to remain stable at 2.4% in 2026, before increasing to 2.7% in 2027. The regional outlook is heterogeneous, reflecting differences in domestic economic conditions and the effects of continued uncertainty on activity.

Growth in emerging and developing Europe is projected to ease to 1.9% in 2026, 0.1 pp below the April forecast, before improving to 2.1% in 2027. Higher energy prices are expected to weigh particularly on energy-intensive and fossil-fuel importing economies, although increased defence spending provides some offset.

Growth conditions across the GCC are expected to moderate in 2026, reflecting temporary effects on energy production and transportation activity associated with regional developments. The impact is expected to vary across the region depending on exposure to energy and transport disruptions and the availability of alternative export routes. At the same time, government measures, including fiscal support, targeted assistance to affected sectors and efforts to secure alternative trade and transport routes, are expected to help mitigate the economic impact of these disruptions. Growth is expected to improve in 2027 as conditions ease and energy production and transportation normalise.

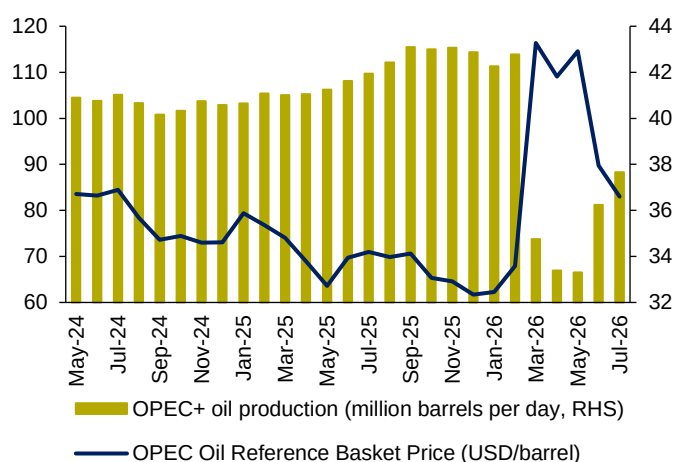
Table 1.2 Real GDP Growth in Selected Emerging Markets (%)

	2023	2024	2025	2026f	2027f
EMDEs	4.4	4.5	4.5	3.8	4.5
Brazil	3.2	3.4	2.3	2.4	2.2
China	5.4	5.0	5.0	4.6	4.1
India	7.2	7.1	7.7	6.4	6.7

Source: International Monetary Fund, WEO Update – July 2026.

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

Figure 1.2 OPEC+ Oil Production and OPEC Oil Prices



Source: Organization of Petroleum Exporting Countries.

I.2. Inflation and Monetary Policy Responses

Global inflation is projected to slightly increase to 4.7% in 2026, due to higher energy and food prices

Inflation will likely remain uneven across countries due to exchange rate differences and energy import dependency

Central banks maintain cautious, data-dependent, and calibrated monetary policy stances

Global

According to the IMF's July WEO Update, global headline inflation is projected to rise from 4.1% in 2025 to 4.7% in 2026, before easing to 3.9% in 2027. This represents a slight upward revision from the April forecasts, reflecting the effects of higher energy and food prices. The updated projections indicate that the disinflation trend that had been in place since the beginning of 2024 has stalled, with core inflation returning to target more gradually across several major economies. Risks to the inflation outlook are tilted to the upside, particularly those related to commodity-price developments and potential supply-side pressures affecting global trade and production networks.

Advanced Economies

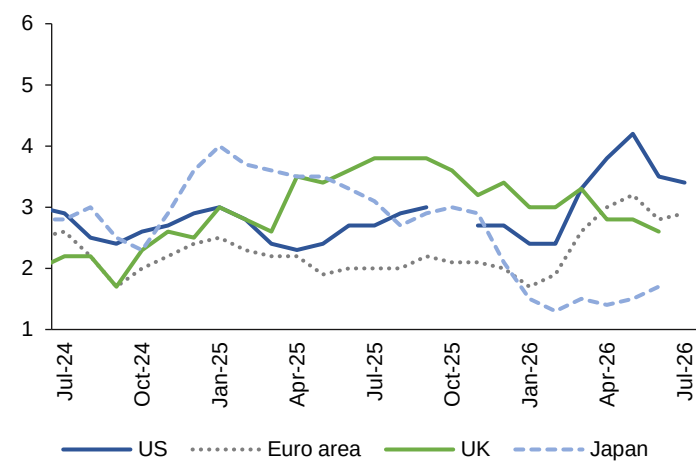
In the US, headline inflation eased for the second consecutive month in July, decelerating to 3.4% Y-o-Y on softening energy prices. Core inflation also moderated to 2.5% Y-o-Y in July, the lowest level in five months, in part due to lower shelter prices. The Fed held its federal funds target range at 3.50%–3.75% at its July meeting. The decision included three dissenting votes in favour of a 25-bps increase, highlighting some differences in views regarding the appropriate monetary-policy adjustment.

Euro area headline inflation accelerated to 2.9% Y-o-Y in July 2026, up from 2.8% in June, with a re-acceleration in energy prices. Underlying price pressures also firmed, with core inflation rising to 2.5% Y-o-Y in July amid a broad-based acceleration across goods and services components. The ECB kept its key rates unchanged in July, following a 25-bps hike in June, its first increase in three years, as it continues to monitor potential second-round effects from the energy shock.

UK headline inflation fell to 2.6% Y-o-Y in June, marking its lowest level in 15 months, as a slowdown in energy costs drove the decline. However, core inflation remained steady at 2.6% Y-o-Y, indicating that underlying price pressures remain firm. The BoE held its Bank Rate at 3.75% at its July meeting, while cautioning that inflation risks remain tilted to the upside. The Bank's central projection shows inflation peaking at around 3.2% in the last quarter of 2026.

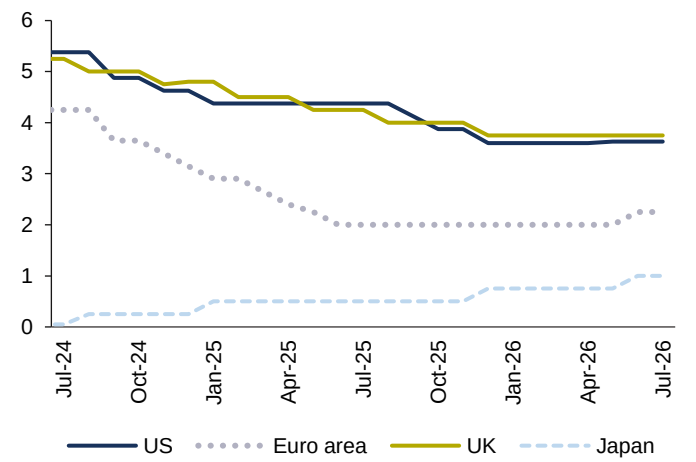
In Japan, headline inflation rose to 1.7% Y-o-Y in June 2026, up from 1.5% in May and its highest reading since December 2025. This was attributed to energy prices declining more slowly following the scale-back of government energy subsidies. Inflation in transport, housing, and household goods also firmed. The BoJ kept its policy rate unchanged at 1.00% following the 25-bps hike in June, leaving rates at their highest level since September 1995. The BoJ noted the need to monitor the impact of global AI-related demand and yen movements, while judging risks to economic activity to be broadly balanced.

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 Markets and GCC Economies

China's inflation eased to 0.5% Y-o-Y in July 2026, marking the softest print since January. The slowdown was driven by both food and non-food components, while core inflation declined for the third consecutive month to 0.9% Y-o-Y. The People's Bank of China held the one-year Loan Prime Rate at 3.0% for the fourteenth consecutive month, underscoring its cautious policy stance.

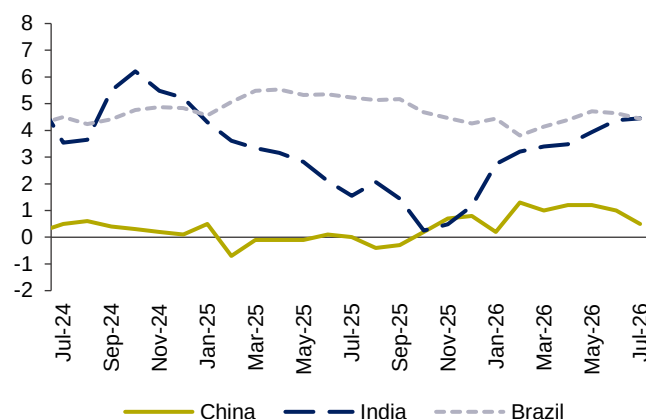
India's consumer inflation rose to 4.5% Y-o-Y in July 2026, its highest rate since December 2024, although it remained within the RBI's inflation target range of 2 pp around 4%. The RBI held its repo rate at 5.25% for a fourth consecutive meeting in August, maintaining a neutral policy stance amid a weakening rupee. The decision likely reflects the RBI's balancing of near-term upside risks to inflation against the need for a cautious approach to monetary policy setting.

Brazil's inflation eased to 4.4% Y-o-Y in July 2026, down from 4.6% in June and returning to the central bank's target range of 1.50%-4.50%. The disinflation was broad-based, with softer price increases in energy, clothing, education and healthcare and personal care components. Accordingly, the Central Bank of Brazil cut its benchmark rate by 25 bps to 14.00% in August, noting that economic activity continues to moderate, while core CPI inflation slowed to slightly below the upper bound of the target range. The Monetary Policy Committee signalled that the pace of future cuts will depend on incoming data, to ensure that inflation continues to converge towards target.

Inflation across the GCC increased moderately during the first half of 2026, reflecting changes in import prices and other external cost factors. Inflation developments varied across economies, influenced by differences in domestic demand conditions, food-price movements, transport costs, and administered-price policies. Saudi Arabia's inflation remained at 1.8% Y-o-Y in June 2026, with food-price inflation relatively contained. In Qatar, inflation stood at 2.2% Y-o-Y, reflecting firmer food-price developments. Kuwait's inflation was also 2.2% Y-o-Y, with food costs contributing to overall price pressures. Oman's inflation increased to 2.8% Y-o-Y in June, the highest rate among GCC economies, reflecting developments in food and transportation-related costs. In Bahrain, inflation reached 2.3% Y-o-Y, partly reflecting adjustments to domestic energy-price support measures.

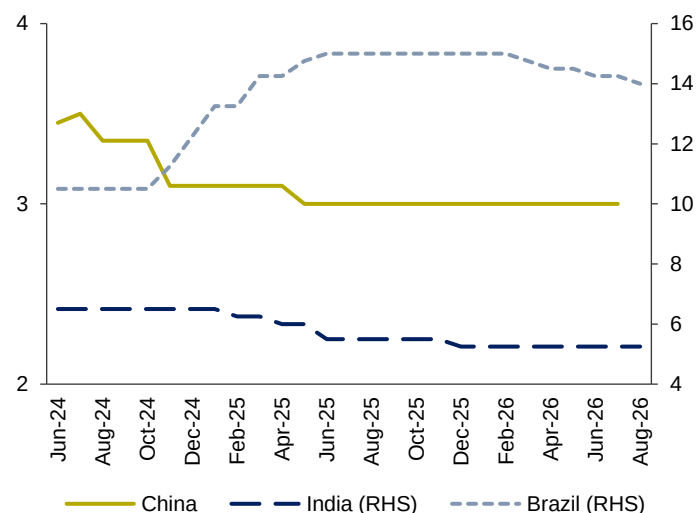
In line with the Fed's decision to hold rates steady in July 2026, GCC central banks similarly kept policy rates unchanged, consistent with their currency pegs to the US dollar. The Saudi Central Bank maintained its benchmark repo rate at 4.25%, while the Qatar Central Bank held its key lending rate at 4.35%. Kuwait kept its discount rate at 3.50%, while Oman held its repo rate at 4.25%. Bahrain maintained its overnight deposit rate at 4.25%.

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



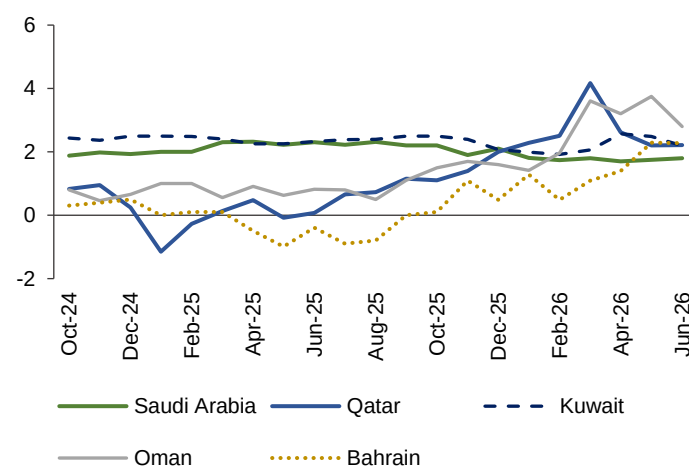
Source: Bloomberg.

Figure 1.6 Policy Rates in Selected Emerging Economies (%)



Source: Bloomberg.

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



Source: Bloomberg.

I.3. Global Markets' Developments

Global financial conditions have been volatile, broadly tracing geopolitical developments	Prices of precious metals amid	Brent crude rose by 20.7% Y-o-Y in July, driven by geopolitical tensions and regional supply disruptions
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Global Financial Conditions

Global financial conditions have remained volatile although less restrictive than at their March peak, reflecting shifts in global risk sentiment amid geopolitical developments. Several key global equity markets remained resilient. Higher energy prices lifted sovereign long-dated yields, while EM bond spreads narrowed in July, supported by portfolio inflows. Actively managed EM debt funds recorded their first net inflows since 2021, alongside record issuance. However, high US long-term yields, potential yen intervention, and geopolitical tensions could strain carry trades supporting EM debt demand. Over time, higher yields in Japan could increase the attractiveness of domestic assets and affect overseas portfolio flows.

Market-based indicators suggest that US financial conditions remained relatively accommodative. Equity markets recovered from a temporary decline in semiconductor- and AI-related shares, supported by stronger-than-expected second-quarter 2026 corporate earnings. However, concentrated index gains and growing commercial and financial linkages within the AI ecosystem may leave valuations vulnerable to revisions in expected returns. US Treasury yields diverged across maturities, with the 30-year yield reaching its highest level since 2007. Elevated long-term yields could weigh on equity valuations by raising discount rates and increasing the relative attractiveness of fixed-income assets.

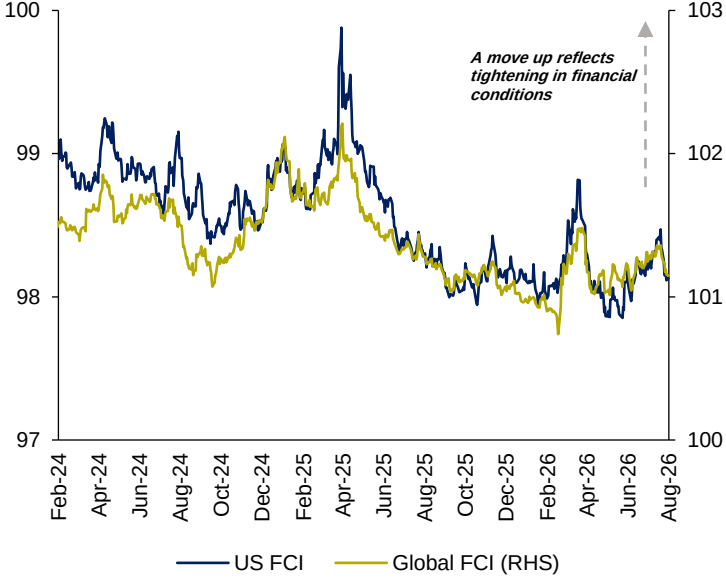
Commodities

Brent crude averaged USD 84.0 per barrel in July, up by 20.7% Y-o-Y, amid heightened volatility from shifting geopolitical developments and disruptions to regional oil flows. Concerns regarding the balance between supply and demand contributed to price volatility, while inventory drawdowns helped moderate some upward price pressures. Meanwhile, US Henry Hub natural gas prices fell by 9.3% Y-o-Y to USD 2.9 per MMBtu, reflecting strong production and ample storage levels, despite strong power demand in some parts of the US.

Precious and industrial metals remained elevated on a Y-o-Y basis, despite some moderation during July. Gold averaged USD 4,073 per ounce, up 21.9% Y-o-Y. Silver increased by 55.6% Y-o-Y to USD 58.6 per ounce in July, despite weakness in the broader precious metals complex and softer global manufacturing activity. Copper and aluminium prices rose by 38.6% and 21.3% Y-o-Y, respectively, amidst mounting pressure from global supply constraints and inventory decline.

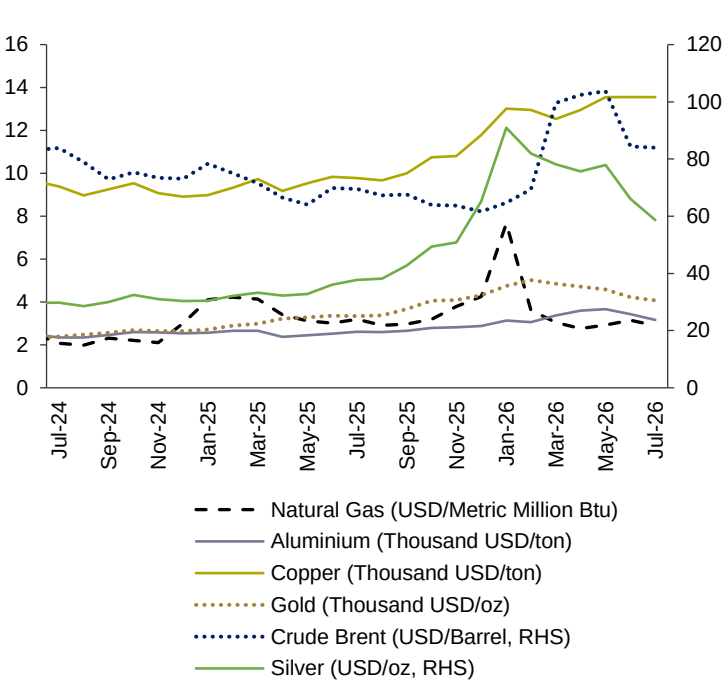
Meanwhile, global food prices edged higher in July, with the FAO Food Price Index up by 1.0% Y-o-Y to 131.1 points. Cereal, sugar and vegetable-oil prices rose on weather-related supply concerns, Black Sea export disruptions and firmer energy markets, while lower meat and dairy prices, backed by ample supplies and softer import demand, partly offset the gains.

Figure 1.8 Financial Conditions Indices



Source: Goldman Sachs.

Figure 1.9 Commodity Prices



Source: Bloomberg.

Chapter 2

Domestic Economic Developments



II.1. Economic Growth

Real GDP grew by 3.0% Y-o-Y in Q1 2026, supported by a 4.8% expansion in non-oil GDP

Oil production increased in June and July, partly offsetting earlier temporary reductions in output

Overall economic growth is expected to remain positive in 2026 and strengthen further in 2027

Overall GDP

The UAE economy continued to expand in Q1 2026, with real GDP growing by 3.0% Y-o-Y. Growth was supported by non-hydrocarbon activity, which increased by 4.8% Y-o-Y, led by financial and insurance services and construction. Hydrocarbon activity softened by 3.5% in Q1 2026, reflecting a temporary reduction in oil and gas production during March.

Non-Hydrocarbon GDP

UAE non-oil GDP expanded by 4.8% Y-o-Y in Q1 2026, supported primarily by financial and insurance activities and construction. Financial and insurance activities grew by 17.3%, contributing 2.4 pp to non-oil GDP growth. The sector's share of non-oil GDP increased from 14.1% to 15.8% over the period. Construction was the second-largest contributor, growing 8.1% (adding 1.0 pp) and increasing its share from 12.8% to 13.2%. Other sectors that recorded solid growth included human health (7.7%), information and communication (5.9%), and professional, scientific, and technical activities (4.9%), though their smaller shares limited their direct impact on the headline figure.

Wholesale and retail trade remained the largest non-oil sector, accounting for 15.8% of non-oil GDP. The sector expanded by 2.6% Y-o-Y, while its share eased slightly from 16.2% as growth shifted toward faster-expanding industries. Real estate, professional services, and public administration also recorded growth broadly in line with overall economic activity.

Other sectors recorded mixed developments during the quarter. Manufacturing activity softened by 3.0% Y-o-Y, while its share of non-oil GDP moderated from 12.5% to 11.6%. Transportation and storage moderated by 2.2%, and accommodation and food services declined by 5.8%. These developments reflect sector-specific conditions during the period, while the broader non-oil economy continued to expand.

Overall, developments during the quarter reflected the continued expansion and evolving composition of the UAE's non-oil economy. Financial and insurance activities and construction remained important contributors to growth, alongside activity across a range of other sectors. The broad-based nature of non-oil activity continues to support the economy's growth prospects.

Table 2.1 Sectoral Contributions to Non-Hydrocarbon GDP Growth in Q1 2026

	Share (% of non-oil GDP)		Y-o-Y change %	Contribution (pp)
	Q1 2025	Q1 2026		
Non-oil sectors	Q1 2025	Q1 2026		
Non-oil GDP	100.0	100.0	4.8	4.8
Financial and insurance	14.1	15.8	17.3	2.4
Construction	12.8	13.2	8.1	1.0
Wholesale and Retail Trade	16.2	15.8	2.6	0.4
Real Estate Activities	7.5	7.5	4.8	0.4
Professional, Scientific and Technical Activities	6.0	6.0	4.9	0.3
Public Administration and Defence	6.4	6.4	4.5	0.3
Information and Communication	4.2	4.2	5.9	0.2
Human Health and Social Work Activities	2.3	2.4	7.7	0.2
Electricity, gas, and Water Supply	2.9	2.9	4.6	0.1
Education	2.2	2.2	2.1	0.0
Agriculture, Forestry and Fishing	1.2	1.2	3.4	0.0
Activities of Households	0.9	0.9	4.0	0.0
Arts, Recreation and Other Service Activities	0.8	0.7	-0.3	0.0
Accommodation and Food Service Activities	2.5	2.3	-5.8	-0.1
Transportation and Storage	7.5	7.0	-2.2	-0.2
Manufacturing	12.5	11.6	-3.0	-0.4

Source: FCSC and CBUAE calculations.

Hydrocarbon GDP

Oil production averaged 2.0 million barrels per day (mbd) during March–May 2026, compared with 2.9 mbd in the corresponding period of 2025. Production increased notably in the subsequent months, reaching a near record high of 3.8 mbd in June and July. These levels corresponded to Y-o-Y growth of 25.9% in June and 20.3% in July, partly offsetting the lower production levels recorded earlier in the year. The increase in output contributed positively to oil-sector activity during the second quarter and early third quarter of 2026.

Gas production recorded Y-o-Y changes of –12.3% in Q1 and –32.5% in Q2 2026. Overall hydrocarbon-sector activity softened by 3.5% Y-o-Y in Q1, reflecting production developments in the oil and gas sector during the period. Higher oil production in the subsequent months is expected to provide support to hydrocarbon-sector activity over the remainder of the year.

GDP Outlook

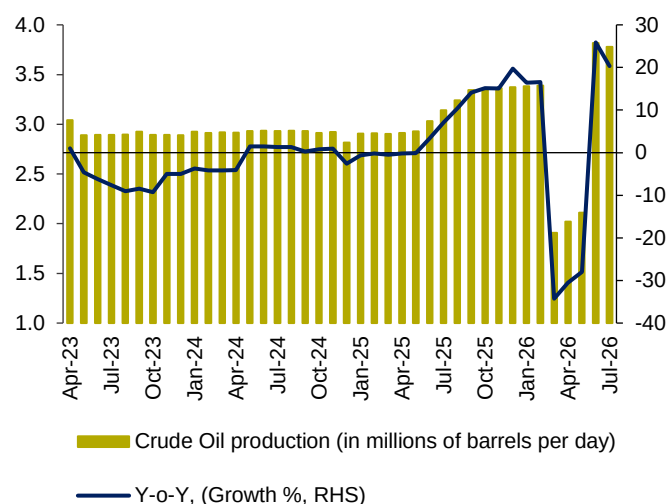
The UAE economy is expected to maintain positive growth momentum over the medium term. Following solid growth in 2024 and 2025, economic activity is projected to continue growing in 2026, with growth reaching 10.4% in 2027, supported by expansion in both hydrocarbon and non-hydrocarbon activity.

The medium-term outlook remains supported by continued growth in both hydrocarbon and non-hydrocarbon activity. Overall real GDP growth is projected at 1.6% in 2026, with hydrocarbon-sector activity expected to expand by 2.4%. Growth is projected to strengthen in 2027, supported by a projected 26.8% increase in hydrocarbon activity to reach 5 mbd in 2027. This profile reflects the expected normalisation of production conditions, while the outlook remains subject to developments in the external environment.

Following growth of 6.8% in 2025, non-hydrocarbon GDP is projected to expand by 1.3% in 2026 and 4.9% in 2027. This outlook reflects the continued contribution of a broad range of non-hydrocarbon sectors to economic activity.

The outlook remains subject to developments in the external environment, while supportive policy measures may contribute positively to economic activity.¹ UAE enters 2026 with strong fiscal buffers, supported by low public debt and substantial sovereign assets, providing scope to support the economy as needed. Ongoing measures, including the CBUAE Financial Resilience Package, Dubai's AED 2.5 billion support initiative, and infrastructure-related public expenditure, are expected to support economic activity and maintain favourable conditions for businesses and investment. Together with the UAE's sound macroeconomic fundamentals, these measures are expected to support continued growth over the forecast horizon.

Figure 2.1 UAE Crude Oil Production



Source: Organization of Petroleum Exporting Countries.

Table 2.2 Real GDP Growth (%)

	2023	2024	2025	2026f	2027f
Overall GDP	4.3	6.6	6.2	1.6	10.4
Hydrocarbon GDP	-3.0	0.6	4.3	2.4	26.8
Non-hydrocarbon GDP	7.0	8.6	6.8	1.3	4.9

Sources: Federal Competitiveness and Statistics Centre (2023-2025), CBUAE (2026-2027).

Note: f=forecast.

¹ A summary of supporting government measures is published in the QER of June 2026.

Purchasing Managers' Index (PMI)

Economic activity in the UAE's non-hydrocarbon private sector strengthened in July 2026, signalling an improvement in business conditions following the softer performance in June. The Purchasing Managers' Index (PMI) rose to 52.7 from 50.8 in June, reaching a four-month high and remaining comfortably above the neutral 50 threshold. The improvement was supported by stronger demand, with new orders increasing at their fastest pace since February amid easing regional tensions and improved customer spending. Employment also returned to growth, while output expansion gained momentum. In Dubai, business conditions improved further, with the PMI rising to 51.7 in July from 50.7 in June, supported by a rebound in new orders. Firms also reported a modest increase in hiring activity. Overall, the July PMI readings indicate continued expansion in the UAE's non-hydrocarbon private sector, supported by improving demand conditions and increased business activity.

Employment and Wages

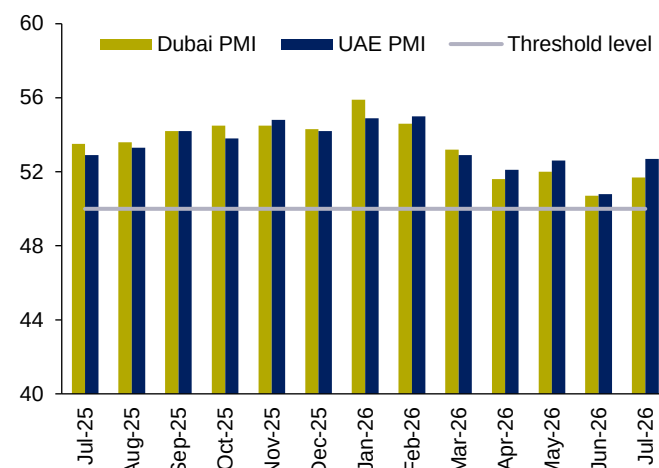
As of June 2026, the number of employees covered by the CBUAE Wages Protection System (WPS)² increased by 11.2% Y-o-Y, indicating continued growth in labour-market activity. Over the same period, the average wage declined by 2.3% Y-o-Y, based on three-month moving-average estimates. Strong job growth points to a continuing expansion in labour demand. The current data suggests that continued demand for labour across the economy has not yet generated significant upward wage pressure, and the pass-through effect from labour costs to overall inflation remains limited.

Government Revenue and Expenditure

In Q1 2026, total government revenue reached AED 121.8 billion, representing an increase of 0.8% Y-o-Y. As a share of GDP, total revenue stood at 22.3%, compared with 22.7% in Q1 2025. Tax revenue showed 3.0% Y-o-Y growth and reached AED 77.5 billion or 14.2% of GDP. Decline in other revenue by 5.0% Y-o-Y to AED 39.2 billion was partly compensated by 19.5% Y-o-Y growth of social contributions, which reached AED 5 billion in Q1 2026. Public expenditure increased in Q1 2026, with developments across expenditure categories supporting investment and social programmes. Capital expenditure rose from AED 2.0 billion in Q1 2025 to AED 18.6 billion in Q1 2026, reflecting increased allocations to infrastructure and other development-related initiatives. Social benefits increased by 27.1% Y-o-Y to AED 22.1 billion, supporting household-related programmes. Overall, total public expenditure increased by 22.8% Y-o-Y, from AED 107.7 billion in Q1 2025 to AED 132.2 billion in Q1 2026, equivalent to 24.2% of GDP.

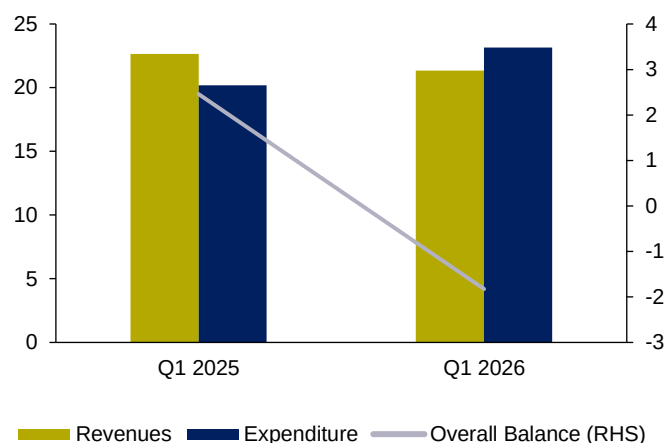
An analysis of consolidated government finance statistics shows that fiscal policy continued to actively support economic activity in Q1 2026. While the overall fiscal position shifted from a surplus of AED 13.1 billion (2.5% of GDP) in Q1 2025 to a moderate deficit of AED 10.4 billion (1.9% of GDP) in Q1 2026, this change primarily reflected a deliberate increase in public expenditure, particularly on capital projects and social benefits. These additional outlays helped strengthen investment and household-related programmes over the period, in line with the fiscal policy's supportive role in underpinning economic growth.

Figure 2.2 UAE PMI (above 50 means expansion)



Source: S&P Global.

Figure 2.3 Main Fiscal Indicators (% of GDP)



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

Table 2.3 Public Expenditure (AED billion)

	Q1 2025	Q1 2026	Change, Y-o-Y (%)
Compensation of employees	31.0	31.5	1.7%
Use of goods and services	29.6	30.4	2.7%
Depreciation of fixed capital	2.2	3.7	64.2%
Interest	3.6	3.8	6.0%
Subsidies	2.3	2.7	13.0%
Grants	0.2	0.3	27.9%
Social benefits	17.4	22.1	27.1%
Capital expenditure	2.0	18.6	849.9%
Other expenses	19.4	19.2	-1.1%

Source: UAE Ministry of Finance.

² Data exported in mid-August 2026.

II.2. Real Estate Analysis

The UAE real estate sector demonstrated resilience and attractiveness to local and international investors

Transaction volumes in Abu Dhabi increased Y-o-Y by 114.2% and 77.7% in Q1 and Q2 2026 respectively

Dubai’s real estate transaction value totalled AED 419.7 billion in the first half of 2026, broadly unchanged Y-o-Y

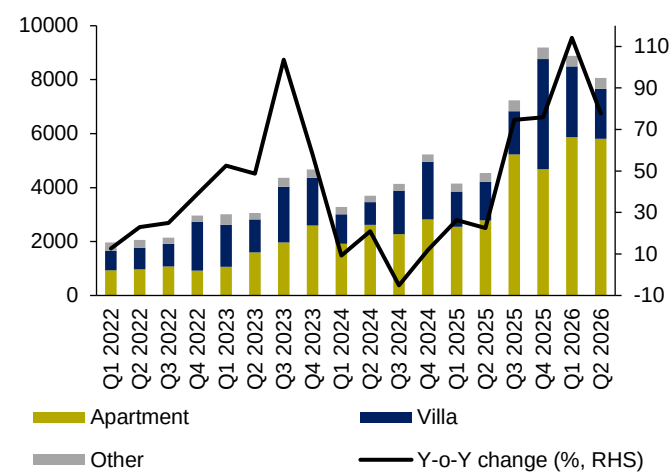
Real Estate Sales Transactions

Despite the regional developments, the UAE real estate sector continued to record solid activity in the first half of 2026, supported by sustained investor interest, population growth, and ongoing project development. Residential sales were solid in the first half of 2026, supported by strong external demand and a growing local population. Rental yields in Abu Dhabi and Dubai remain relatively high compared to other major global investment destinations.

In Abu Dhabi, sales transaction volumes increased during the second half of 2025, supported in part by off-plan activity in higher-value residential segments. Activity remained strong in the first and second quarters of 2026, with transaction volumes increasing by 114.2% Y-o-Y and 77.7% Y-o-Y, respectively. Apartment sales increased by 108.5% Y-o-Y in Q2 2026, while villa and townhouse sales grew by 29.7% Y-o-Y. Residential unit sales were AED 39.6 billion in Q1 2026 and AED 30.9 billion in Q2 2026, each exceeding previously recorded quarters, including Q4 2025 with AED 29.3 billion.

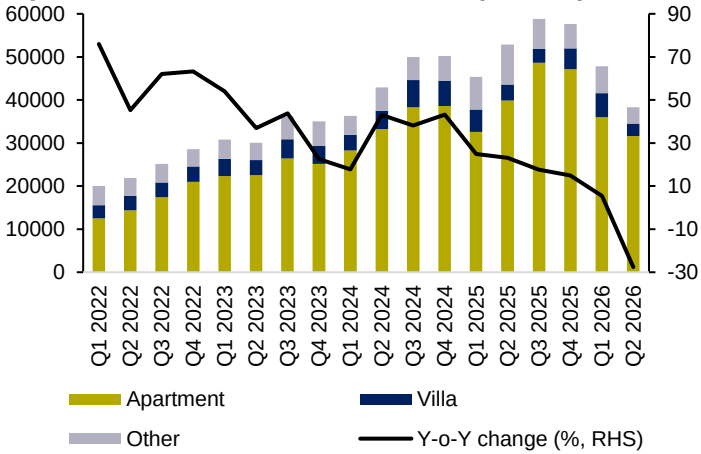
In Dubai, real estate sales volumes normalised in Q2 2026 from the record levels observed in previous periods, while overall transaction values remained resilient. At AED 419.7 billion, H1 2026 was the second-strongest first half on record, and the average transaction value increased by approximately 11% Y-o-Y. Prime locations continued to attract solid investor interest, supported by ongoing population expansion. Dubai’s population grew by more than 150 thousand residents year to date, largely during Q2, reaching approximately 4.7 million, underscoring the emirate’s continued appeal as a place to live and invest.

Figure 2.4 Real Estate Sales in Abu Dhabi (volume)³



Source: Abu Dhabi Real Estate Centre (ADREC).

Figure 2.5 Real Estate Sales in Dubai (volume)



Source: Data.Dubai Platform

³ Apartment: comprises apartments, duplexes and penthouses; Villa: comprises villas, townhouses, and plots for villas and townhouses.

II.3. UAE Foreign Trade

The UAE's non-oil foreign trade of goods rose by 20.5% to AED 941.2 billion in Q1 2026

Non-oil exports increased by 31.5% to AED 225.4 billion, and re-exports rose by 4.1% to AED 168.0 billion

The UAE NEER appreciated by 0.3% Y-o-Y in June 2026, reflecting the strengthening of the USD

UAE's International Trade

The UAE's non-oil foreign trade in goods increased by 20.5% Y-o-Y in Q1 2026, reaching AED 941.2 billion. Non-oil exports rose by 31.5% Y-o-Y to AED 225.4 billion, supported mainly by higher exports of gold, silver, and jewellery. Switzerland remained the leading destination for non-oil exports, accounting for 23.6% of the total, followed by Hong Kong SAR at 12.9% and India at 8.4%. Gold remained the largest non-oil export category, accounting for 69.3% of total non-oil exports, followed by silver at 5.1% and jewellery at 3.3%.

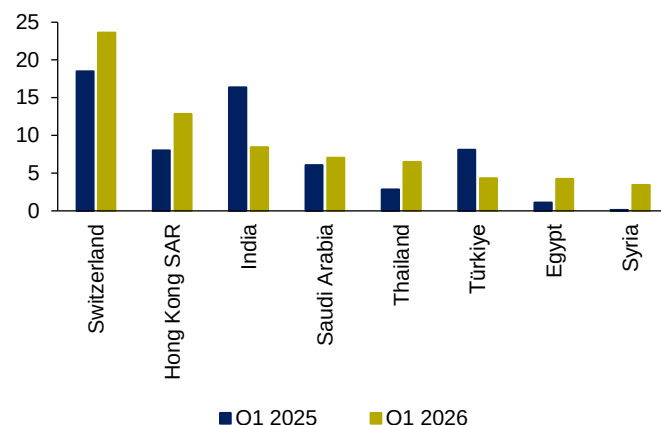
Re-exports increased by 4.1% Y-o-Y to AED 168.0 billion in Q1 2026. Saudi Arabia remained the leading re-export destination, accounting for 20.5% of the total, followed by Iraq at 6.0% and India at 5.4%. Telecommunications equipment accounted for the largest share of re-exports, at 25.2%, while diamonds and motor vehicles accounted for 7.8% and 6.9%, respectively.

Imports increased by 20.5% in the same period, reaching AED 547.9 billion. China was the UAE's largest import source, with an 18.2% share, followed by India (5.5%) and the US (5.3%). Gold was the largest import category, accounting for 32.7% of total imports, followed by telecommunications equipment at 9.6% and motor vehicles at 5.2%.

Exchange Rate

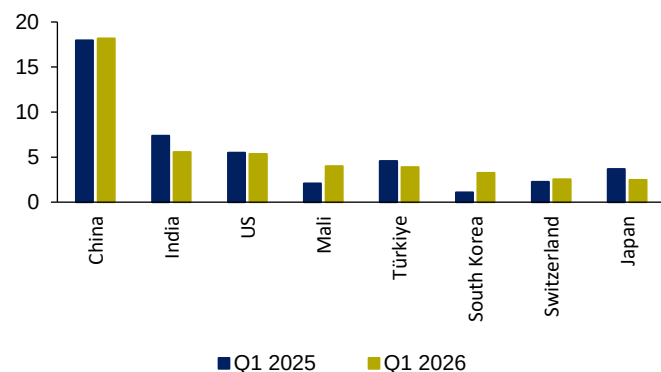
The nominal effective exchange rate (NEER), which compares the national currency against a basket of currencies of the UAE's key trading partners, appreciated slightly by 0.3% Y-o-Y in June 2026, broadly mirroring the strengthening of the US dollar. The real effective exchange rate (REER), which adjusts for inflation differentials between the UAE and its trading partners, depreciated by 0.6% Y-o-Y, reflecting, in part, the UAE's relatively lower inflation compared with its main trading partners.

Figure 2.6. UAE Non-Oil Exports to Major Trading Partners (% of Non-Oil Exports)



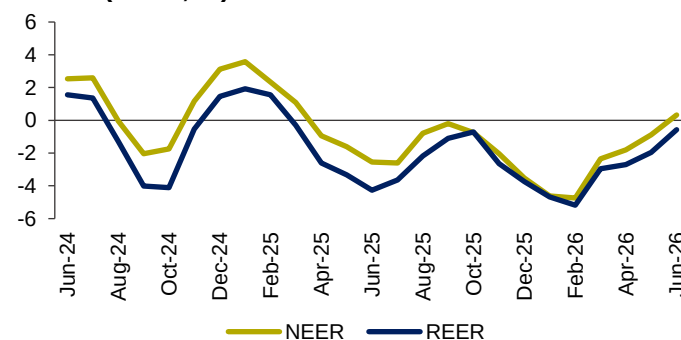
Source: Federal Competitiveness and Statistics Centre, preliminary data.

Figure 2.7. UAE Imports from Major Trading Partners (% of Imports)



Source: Federal Competitiveness and Statistics Centre, preliminary data.

Figure 2.8. Nominal and Real Effective Exchange Rates* (Y-o-Y, %)



Source: Bank for International Settlements.

* A positive value means appreciation, and a negative value means depreciation.

II.4. Inflation

Dubai's inflation averaged 5.3% Y-o-Y in Q2 2026

The CBUAE forecasts UAE inflation at 2.4% in 2026 and 1.9% in 2027

Energy costs and global food prices are expected to add to inflation

Dubai Inflation

Consumer price inflation in Dubai accelerated in Q2 2026, driven mainly by higher transportation, food, and housing prices. According to data from the Data Dubai Platform, the headline Consumer Price Index (CPI) inflation rate reached 5.3% Y-o-Y in Q2 2026, up from 3.3% Y-o-Y in Q1 2026, indicating more broad-based price increases across several key components of the consumer basket.

The housing, water, electricity and gas category, which accounts for 37.6% of the basket, remains the main driver of inflation. Inflation in this category stood at 7.3% Y-o-Y in Q2 2026, compared with 7.4% Y-o-Y in Q1 2026, reflecting a slight moderation in residential rents and housing-related utility costs.

Transportation prices increased in Q2 2026, broadly in line with developments in global energy markets. The transportation group, which accounts for 11.7% of the consumer basket, recorded inflation of 15.1% Y-o-Y in Q2 2026, compared with 0.2% Y-o-Y in Q1 2026. This marked rise in transportation and shipping prices is attributed to several interconnected factors, including increased fuel costs, supply chain disruptions, and higher maintenance and insurance costs. Inflation in food and beverages also picked up, rising by 7.3% Y-o-Y in Q2 2026, compared with 2.7% Y-o-Y in Q1 2026, in line with higher global food prices and elevated shipping and logistics costs, which translated into domestic food price pressures.

Inflation in the education category stood at 2.3% Y-o-Y in Q2 2026, compared with 2.6% Y-o-Y in Q1 2026, indicating a moderation in price growth during the quarter. Price developments in other categories helped contain the overall impact on headline inflation. Information and communication prices were broadly unchanged in Q2, following a 0.4% Y-o-Y decline in Q1. Prices for textiles, clothing, and footwear declined by 0.5% Y-o-Y, compared with a 0.2% decline in the preceding quarter. Price changes across other consumer categories were mixed and generally moderate, with a limited contribution to overall headline inflation.

Inflation Outlook

The CBUAE's inflation forecast for 2026 stands at 2.4%. The near-term outlook continues to be shaped primarily by supply-side pressures stemming from heightened regional uncertainty and its impact on global energy markets, shipping costs and food prices.

Inflation in the UAE is expected to remain below global averages. Developments in housing costs, the regulation of selected staple food prices, and the monitoring of key consumer-price components are expected to support broadly contained inflation outcomes.

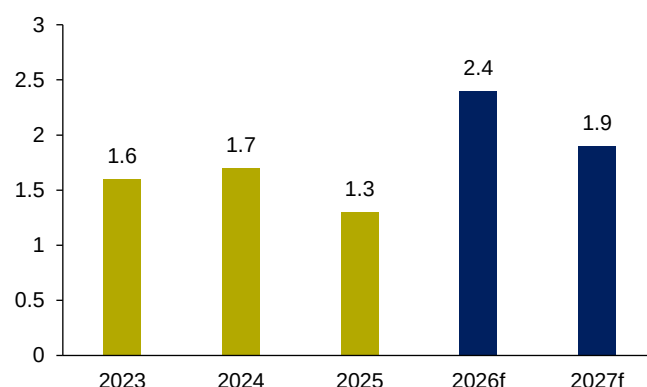
In 2027, inflation is projected at 1.9%, reflecting an anticipated easing in global cost conditions and the continued effectiveness of measures supporting price stability.

Table 2.4 Dubai CPI Inflation (Y-o-Y, %)

	Weights	Q1 2026	Q2 2026
All Items	100.0	3.3	5.3
Housing, water, electricity, and gas	37.6	7.4	7.3
Transportation	11.7	0.2	15.1
Food and beverages	9.6	2.7	7.3
Education	8.0	2.6	2.3
Information and communication	5.3	-0.4	0.0
Textiles, clothing and footwear	5.6	-0.2	-0.5
Furniture and household goods	4.0	0.7	1.0
Miscellaneous goods & services	6.0	0.1	-0.3
Restaurants and hotels	5.7	0.3	1.2
Recreation and culture	3.5	2.5	4.3
Medical care	1.1	1.0	1.0
Insurance and financial services	1.6	0.8	1.2
Tobacco	0.4	4.0	4.7

Source: Data Dubai Platform.

Figure 2.9 UAE Inflation Outlook (CPI, %)



Sources: Federal Competitiveness and Statistics Centre (2023-2025), CBUAE (2026 and 2027).

Note: f=forecast.

Chapter 3

Monetary and Financial Markets Developments



III.1. Money Supply and Interest Rates

Monetary aggregates M1, M2 and M3 in Q2 2026 increased by 1.3%, 13.6% and 14.3% Y-o-Y, respectively

The CBUAE maintained the Base Rate at 3.65% in Q2, following the FOMC decision to keep the Fed Funds rate unchanged

DONIA-Base Rate gap narrowed to 3 bps in Q2 2026 as geopolitical uncertainty started to ease

Monetary Aggregates

Money supply continued to grow, but at a slower pace in Q2 2026. M1 increased by 1.3% Y-o-Y, reaching AED 1,040 billion by the end of June 2026. This reflected a 0.2% Y-o-Y increase in Monetary Deposits, which account for 84.6% of M1, and an 8.2% Y-o-Y rise in Currency-in-Circulation Outside Banks, constituting 15.4% of M1. M2 grew by 13.6% Y-o-Y to AED 2,876.6 billion, with Quasi-Monetary Deposits rising by 22.0% Y-o-Y, representing 63.8% of M2. M3 expanded by 14.3% Y-o-Y, reaching AED 3,426.3 billion, due to a 17.9% Y-o-Y increase in Government Deposits, representing 16% of M3.

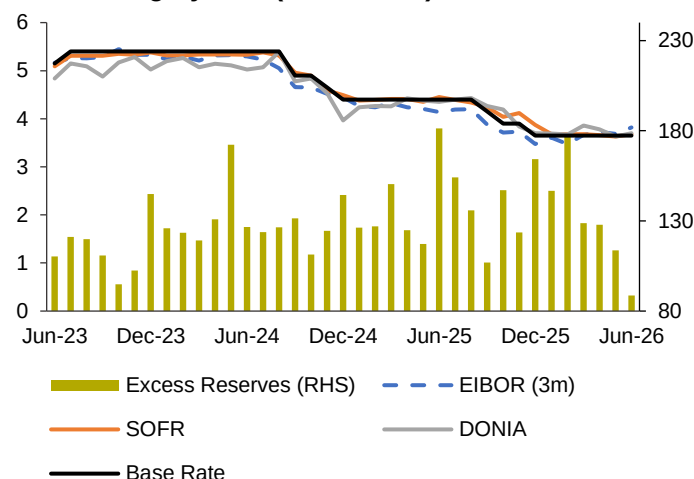
Interest Rates

In line with the US Federal Reserve's Interest on Reserve Balances (IORB) rate, the CBUAE maintained its key policy rate (Base Rate) at 3.65% in Q2 through July. Overnight interest rates remained in line with the Base Rate, with the Dirham Overnight Index Average (DONIA) averaging 3 basis points above the Base Rate. 3-month EIBOR, a key benchmark for floating rate loans and derivatives, increased in quarterly average terms.

Banks' Aggregate Balance was AED 357 billion at the end of Q2, representing a modest reduction of AED 43.3 billion from Q1. The main driver was a net outflow of Foreign Assets of AED 88.3 billion, which influenced the sector's overall aggregate balance. However, this was partly offset by a decrease in Currency-in-Circulation by AED 11.6 billion and a decrease in the State Account Balance of AED 5.9 billion, which together replenished liquidity and contributed to the overall Aggregate Balance. Despite the fall in the Aggregate Balance, banks' Liquidity Surplus remained sufficiently large, ensuring that overnight interest rates continued to closely follow the CBUAE Base Rate.

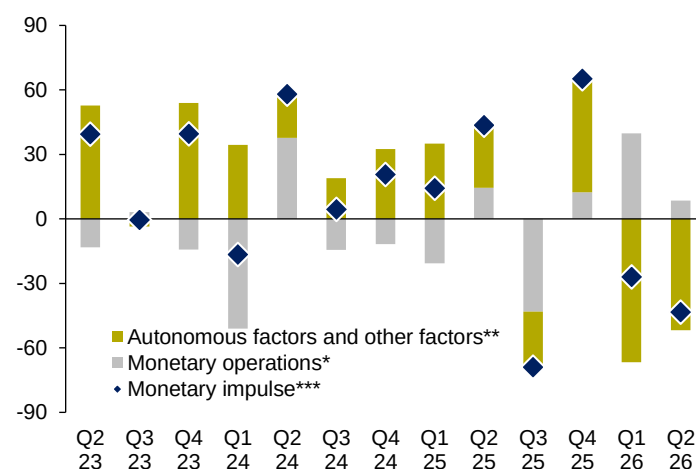
By late Q2 2026, the M-Bill yield curve steepened as short-term rates fell while long-term rates rose. These movements aligned closely with shifting US Treasury yields. By the close of June, outstanding M-Bills amounted to AED 193.6 billion, down from AED 236.4 billion at the end of March. This contraction reflects the June maturity of a sizable M-Bill and slightly reduced issuance of new bills. On the other hand, Outstanding Islamic Certificates of Deposit increased to AED 51.3 billion at the end of Q2 2026 (from AED 46.5 billion in Q1 2026).

Figure 3.1. UAE Rates (%) and Excess Reserves in the Banking System (AED billion)



Source: Bloomberg, CBUAE.

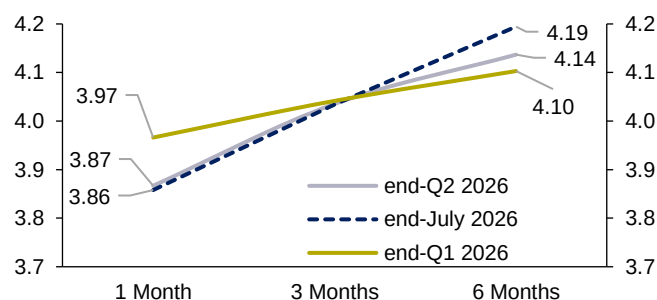
Figure 3.2 Monetary Impulse (AED billion)



Source: CBUAE.

Note: */ 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

Asset growth of 12.5% Y-o-Y was accompanied by a double-digit lending growth of 18.1% Y-o-Y

Deposit growth of 14.0% Y-o-Y continued to provide a solid funding base for the UAE banking system

Asset quality ratios showed further improvement in Q2 2026, reflecting the resilience of the financial system

Banking System Assets and Structure

The total assets of the UAE banking system rose by 12.5% Y-o-Y to AED 5,594 billion by the end of Q2 2026. The UAE banking sector comprised 62 banks, encompassing 24 UAE national banks and 38 branches of foreign banks operating in the country.

Banking System Credit and Deposits

The UAE banks' loan portfolio grew by 18.1% Y-o-Y in Q2 2026. Credit growth remained resilient, supported by favourable domestic economic and funding conditions. Growth in the domestic loan portfolio continued to be broad-based across key credit segments, including retail, government and government-related entities (GRES).

Deposit growth remained strong at a double-digit growth rate of 14.0% Y-o-Y in Q2 2026, although the pace of growth moderated slightly from the previous quarter. The expansion was primarily supported by resident deposits, which grew by 14.1% Y-o-Y.

Financial Soundness Indicators

The capital levels for the UAE banking system remained adequate and well above the minimum requirements. The Capital Adequacy Ratio (CAR) moderated to 17.0% and the CET-1 ratio to 14.5%, compared to the same period last year. The moderation in capital ratios was driven by faster growth in risk-weighted assets relative to capital.

Funding and liquidity levels remained adequate, supported by healthy deposit growth in Q2 2026. Nevertheless, the loan-to-deposit ratio picked up to 79.4% in Q2 2026 compared to 76.6% in Q2 2025, mainly driven by higher credit growth compared to deposit growth. Nonetheless, the ratio remains at a favourable level.

The UAE banking sector achieved its strongest asset quality ratios by the end of Q2 2026, as asset quality ratios continued to improve, with Net NPL declining to 1.3%, and the NPL ratio improving to 2.8%. The reduction in the non-performing loan ratios was supported by a reduction in the stock of NPLs by 16.1% Y-o-Y and growth in bank credit.

Financial Institution Resilience Package

Regional developments did not materially affect the banking system's growth momentum and core indicators during Q1 2026. The CBUAE announced in March 2026 a proactive Financial Institution Resilience Package aimed at enhancing the resilience of financial institutions.⁴

Table 3.1 Assets and Credit (AED billion)

	Q2 2025	Q3 2025	Q4 2025	Q1 2026	Q2 2026
Total Assets	4,973	5,200	5,340	5,556	5,594
(Y-o-Y change)	15.4%	18.1%	17.1%	17.7%	12.5%
Gross Credit	2,334	2,479	2,570	2,696	2,758
(Y-o-Y change)	11.1%	14.7%	17.9%	20.3%	18.1%
Domestic Credit	1,911	2,012	2,049	2,138	2,175
(Y-o-Y change)	5.2%	8.2%	11.2%	14.4%	13.9%
Foreign Credit	424	467	521	557	582
(Y-o-Y change)	48.9%	54.5%	54.3%	50.1%	37.5%

Source: CBUAE.

Note: Data as end of the period.

Table 3.2 Total Deposits (AED billion)

	Q2 2025	Q3 2025	Q4 2025	Q1 2026	Q2 2026
Bank Deposits	3,046	3,186	3,305	3,446	3,473
(Y-o-Y change)	13.1%	15.4%	16.1%	17.4%	14.0%
Resident Deposits	2,789	2,891	3,008	3,139	3,181
(Y-o-Y change)	12.9%	13.5%	15.7%	16.8%	14.1%
Non-Resident Deposits	257	295	298	307	292
(Y-o-Y change)	16.0%	38.0%	21.2%	23.5%	13.3%

Source: CBUAE

Note: Data as of end of period.

Table 3.3 UAE Financial Soundness Indicators

	Q2 2025	Q3 2025	Q4 2025	Q1 2026	Q2 2026
Capital Adequacy					
Capital Adequacy Ratio	17.3%	17.4%	17.0%	16.8%	17.0%
Tier 1 Capital Ratio	16.0%	16.2%	15.8%	15.7%	15.8%
Common Equity Tier 1 Ratio	14.6%	14.8%	14.4%	14.3%	14.5%
Liquidity and Funding					
Advances to Stable Resources Ratio	73.8%	75.1%	73.8%	75.7%	76.2%
Loan-to-deposit Ratio	76.6%	77.8%	77.7%	78.2%	79.4%
Eligible Liquid Assets Ratio	20.6%	19.0%	20.1%	18.8%	16.6%
Asset Quality					
Net Non-Performing Loans Ratio	1.7%	1.6%	1.6%	1.5%	1.3%
Non-Performing Loans Ratio	3.9%	3.6%	3.3%	3.2%	2.8%

Source: CBUAE

Note: Data as of the end of the period.

⁴ For more information refer to CBUAE (2026): *CBUAE Board Reviews Strength and Resilience of the UAE's Financial System and Banking Sector and Approves a Proactive Financial Institution Resilience Package*.

III.3. Insurance Developments

In H1 2026, gross written premiums, and gross paid claims increased by 11.0%, and 18.7% Y-o-Y, respectively

Total technical provisions and total equity showed an increase of 6.8% and 15.6% Y-o-Y, respectively, in H1 2026

The insurance sector remained well capitalised in H1 2026, with healthy capital adequacy and return on average assets

Insurance Sector Structure and Activity

The insurance sector continued to grow in H1 2026 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 increased to 59, consisting of 23 traditional national⁵, 10 takaful national companies, and 26 branches of foreign insurance companies operating in the country.⁶ The total number of insurance-related professions increased to 528.

Key Performance Indicators

Gross written premiums increased by 11.0% Y-o-Y to AED 45.4 billion in H1 2026. This was supported by growth in property and liability insurance premiums, which increased by 6.0% Y-o-Y to AED 17.2 billion; health insurance premiums, which increased by 11.4% to AED 23.0 billion; and insurance of persons and fund accumulation premiums, which increased by 28.8% to AED 5.2 billion.

Gross paid claims of all types of insurance plans increased by 18.7% Y-o-Y to AED 25.5 billion in H1 2026, comprising property and liability insurance claims to AED 9.3 billion, health insurance claims to AED 13.2 billion, and insurance of persons and fund accumulation claims to AED 2.9 billion.

In H1 2026, the total technical provisions⁷ increased by 6.8% Y-o-Y to AED 106.9 billion. The volume of invested assets in insurance rose to AED 99.2 billion (55.8% of total assets) compared to AED 84.4 billion (57.2% of total assets) during the same period in 2025.

Insurance Soundness Indicators

The UAE insurance sector remained well-capitalised. The retention ratio⁸ of written insurance premiums was 56.2 % (AED 25.5 billion) in Q2 2026, compared to 52.5% (AED 21.5 billion) in the previous year. Concerning the various capital adequacy ratios, the own funds⁹ to Minimum Capital Requirement ratio increased to 560.4% in Q2 2026, up from 516.1% in Q1 2026, driven by higher own funds eligible to meet minimum capital requirements. The own funds to Solvency Capital Requirement ratio reached 198.2% in Q2 2026 compared to 187.2% in Q1 2026. Similarly, the own funds to Minimum Guarantee Fund ratio reached 290.9% in Q2 2026, from 269.1% in Q1 2026.

In terms of profitability, the net total profit to net written premiums ratio increased to 13.3% in Q2 2026. The return on average assets ratio increased to 0.9% in Q2 2026.

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

	2025				2026*	
	Q1	H1	Q1-Q3	Full Year	Q1	H1
1- Gross Written Premiums	23.9	40.9	57.8	74.8	27.5	45.4
• Property & Liability	9.0	16.3	24.0	30.0	10.0	17.2
• Health Insurance	12.9	20.7	27.8	36.4	14.9	23.0
• Persons and Fund Accumulation	2.0	4.0	6.0	8.4	2.6	5.2
2- Gross Claims Paid	11.0	21.5	32.3	46.2	12.7	25.5
• Property & Liability	4.5	8.0	11.7	15.6	4.6	9.3
• Health Insurance	6.0	12.3	18.9	26.2	6.8	13.2
• Persons and Fund Accumulation	0.5	1.2	1.7	4.4	1.2	2.9
3- Technical Provisions	95.5	100.1	99.4	96.3	103.0	106.9
4- Total Invested Assets	82.0	84.4	86.4	96.4	96.4	99.2
5- Total Assets	142.1	147.4	149.2	164.9	174.8	177.8
6- Total Equity	31.1	31.4	32.4	34.6	36.0	36.3

Source: CBUAE.

Notes: * Estimated data, cumulative at end of period.

Table 3.5 Insurance Soundness Indicators (%)

	2025*				2026*	
	Q1	Q2	Q3	Q4	Q1	Q2
1- Reinsurance ratio						
Retention ratio	50.8	52.5	51.9	56.6	53.9	56.2
2- Capital Adequacy Ratios						
Own funds to Minimum Capital Requirement (MCR)	393.2	423.4	434.9	454.5	516.1	560.4
Own Funds to Solvency Capital Requirement (SCR)	204.1	229.5	241.7	198.8	187.2	198.2
Own Funds to Minimum Guarantee Fund (MGF)	294.7	328.9	331.9	258.0	269.1	290.9
3- Earnings Ratios						
Net total profit to net written premiums	7.3	10.5	11.6	9.5	8.7	13.3
Return on average assets	0.8	0.9	0.9	0.5	0.8	0.9

Source: CBUAE.

Notes: * Estimated data.

⁵ A new national life insurance company was licensed in Q2 2026.

⁶ One foreign company practices reinsurance only.

⁷ Technical provisions are the amounts that insurers set aside and maintain to meet the insured's accrued financial liabilities as per Law's stipulations and financial regulations for insurance and Takaful companies.

⁸ The retention ratio is calculated as the ratio of net written premium to gross written premium.

⁹ 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

By the end of Q2 2026, the DFM General Index rose 4.4% Y-o-Y to 5,956 points, while the ADX General Index remained broadly stable at 9,804 points

CDS spreads for Abu Dhabi and Dubai edged up modestly in Q2 2026, yet remain among the lowest in the Middle East and Africa region

The CBUAE Credit Sentiment Survey in Q2 2026 remains broadly balanced, reflecting a measured credit environment

Equity Markets

The Abu Dhabi Securities Market (ADX) General Index stood at 9,804 points at the end of Q2 2026. The market capitalisation reached AED 2.9 trillion at the end of Q2 2026.

The Dubai Financial Market (DFM) General Index rose 4.4% Y-o-Y to 5,956 points. The market capitalisation reached approximately AED 1.0 trillion at the end of Q2 2026.

Continued investment by institutional and international investors underscores deep confidence in the UAE's capital markets and their long-term outlook.

Credit Default Swaps (CDS)

Abu Dhabi's five-year CDS spread increased from 35.7 basis points in Q1 2026 to 42.1 basis points in Q2 2026, while Dubai's five-year CDS spread increased from 57.6 basis points to 75.8 basis points over the same period. Both remain at comparatively low levels, reflecting their strong fiscal positions, low-risk economic profiles, and substantial sovereign wealth fund buffers. Abu Dhabi continues to hold one of the lowest CDS premiums in the Middle East and Africa region.

The CBUAE Credit Sentiment Survey

Credit conditions moderated during the second quarter, against a backdrop of heightened uncertainty. The easing was broad-based, impacting both personal and business credit demand as well as lending appetite. Survey responses indicated moderation in business and personal credit demand amid greater caution in investment and household borrowing decisions. Financial institutions reported a measured approach to lending during the quarter, consistent with their ongoing assessment of economic and credit-market conditions. Survey respondents were also optimistic, however, with expectations of a more stable economic environment supporting a recovery in both credit demand and supply.

Table 3.6 UAE Equity Markets (End-of-period values)

Abu Dhabi							
		Q1 2025	Q2 2025	Q3 2025	Q4 2025	Q1 2026	Q2 2026
Share Price Index	Point	9,369	9,958	10,015	9,993	9,521	9,804
	%, Y-o-Y	1.5%	9.9%	6.3%	6.1%	1.6%	-1.5%
Market Capitalisation	AED bn	2,932	3,094	3,110	3,140	2,767	2,880
	%, Y-o-Y	3.1%	10.6%	6.0%	4.6%	-5.6%	-6.9%
Traded Value	AED bn	83	96	80	126	89	82
	%, Y-o-Y	23.9%	59.7%	3.8%	67.7%	7.7%	-15.2%
Dubai							
		Q1 2025	Q2 2025	Q3 2025	Q4 2025	Q1 2026	Q2 2026
Share Price Index	Point	5,096	5,706	5,840	6,047	5,434	5,956
	%, Y-o-Y	20.0%	41.6%	29.7%	17.2%	6.6%	4.4%
Market Capitalisation	AED bn	896	979	978	975	882	965
	%, Y-o-Y	22.9%	44.3%	29.4%	7.6%	-1.6%	-1.4%
Traded Value	AED bn	40	43	43	37	59	54
	%, Y-o-Y	64.9%	99.1%	76.0%	11.9%	47.7%	24.4%

Source: Capital Market Authority.

Table 3.7 UAE – Sovereign Credit Default Swaps (Quarterly averages, bps)

	2025				2026	
	Q1	Q2	Q3	Q4	Q1	Q2
Abu Dhabi	39.3	39.4	30.1	28.7	35.7	42.1
Dubai	59.3	58.4	55.0	50.6	57.6	75.8

Source: Bloomberg.

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