MACRO & MARKETS

GCC - JANUARY 2026

Dubai Financial Market (DFM) Outlook 2026

MARMORE MENA INTELLIGENCE
A MARKAZ Subsidiary

Authors



M.R. Raghu, CFA, FRM, FCMA
CEO, Marmore MENA Intelligence

Keshav Sarawagi
Analyst, Marmore MENA Intelligence

Sreenidhi Srinivasan
Analyst, Marmore MENA Intelligence

Disclaimer

This report has been prepared and issued by Marmore MENA Intelligence Ltd (Marmore), a fully owned research subsidiary of Kuwait Financial Centre "Markaz" K.P.S.C. Marmore is a private limited company registered with the Registrar of Companies in India.

This Report is owned by Marmore and is privileged and proprietary and is subject to copyrights. Sale of any copies of this Report is strictly prohibited. This Report cannot be quoted without the prior written consent of Marmore. Any user after obtaining Marmore's permission to use this Report must clearly mention the source as "Marmore." The Report is intended to be circulated for general information only and should not to be construed as an offer to buy or sell or a solicitation of an offer to buy or sell any financial instruments or to participate in any particular trading strategy in any jurisdiction.

The information and statistical data herein have been obtained from sources we believe to be reliable, but no representation or warranty, expressed or implied, is made that such information and data is accurate or complete, and therefore should not be relied upon as such. Opinions, interpretations, estimates, and projections in this report constitute the current judgment of the author as of the date of this Report. They do not necessarily reflect the opinion of Markaz or Marmore or other identified parties and are subject to change without prior notice. Neither Marmore nor Markaz have an obligation to update, modify, or amend this report or to otherwise notify a reader thereof in the event that any matter stated herein, or any opinion, projection, forecast, or estimate set forth herein, changes or subsequently becomes inaccurate, or if research on the subject company is withdrawn.

This Report may not consider the specific investment objectives, financial situation, and the particular needs of any specific person who may receive this report. Investors are urged to seek financial advice regarding the appropriateness of investing in any security or investment strategy discussed or recommended in this report and to understand that statements regarding future prospects may not be realized. Investors should note that income from such securities, if any, may fluctuate and that each security's price or value may rise or fall. Investors should be able and willing to accept a total or partial loss of their investment. Accordingly, investors may receive back less than originally invested. Past performance is not necessarily indicative of future performance.

Markaz may seek to do business, including investment banking deals, with companies covered in its research reports. Markaz may have interests in the areas covered in this research report. Markaz, Markaz managed entities, its clients, or its employees may have from time to time long or short positions in any security, derivative or other types of assets referred to in this research report. As a result, investors should be aware that Markaz may have a conflict of interest that could affect the objectivity of this report.

This report may provide the addresses of or contain hyperlinks to websites. Except to the extent to which the report refers to website material of Markaz and Marmore, Markaz has not reviewed the linked site and takes no responsibility for the content contained therein. Such address or hyperlink (including addresses or hyperlinks to Markaz's or Marmore's own website material) is provided solely for your convenience and information, and the content of the linked site does not in any way form part of this document. Accessing such website or following such link through this report or Markaz's or Marmore's website shall be at your own risk.

For further information, please contact 'Markaz' at P.O. Box 23444, Safat 13095, Kuwait; Email: info@e-marmore.com; Tel: 00965 22248280; Fax: 00965 22495741.

Key Highlights

- The S&P GCC index declined by 1.5% during the year 2025, whereas Dubai's stock market outperformed in 2025 with a return of 17.2%. All GCC equity market indices, except Saudi Arabia registered broad-based gains.

- Dubai sector concentration is titled in favor of real estate and banking. The performance of real estate stock like Emaar (18.3%) and banking stock like Emirates NBD bank (36.1%) in 2025 was noteworthy.

- The UAE's macro outlook for 2026 remains positive, supported by solid growth, low inflation, and a supportive policy environment, alongside strong investor confidence driven by diversification.

- Decomposing the performance of DFM's past 5 years, we notice that earnings growth accounted for 16.8% of the performance while p/e re-rating contributed only 1.6%. Real estate is expected to lead earnings in 2026 despite supply related price risks, while banks face a neutral outlook amid rate cuts, and diversified non-hydrocarbon sectors continue to provide broad based earnings support.

- DFM valuations remain attractive, with the current P/E close to the 5-year average of 10.7x, suggesting limited valuation re-rating. Dividend yields of 5.0% provide a solid income cushion, reinforcing the case for earnings-led returns from Dubai's diversified sector base.

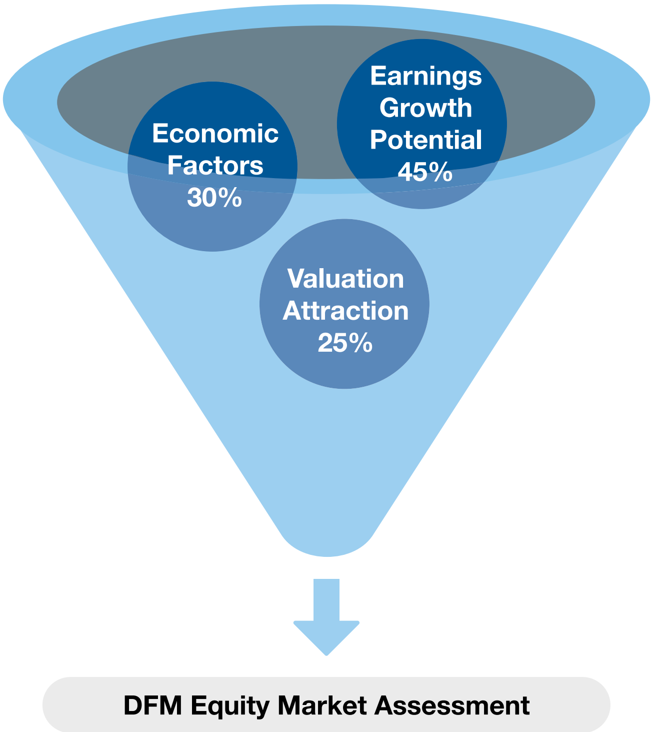
Market Wrap – December 2025

All GCC equity indices, except Saudi Arabia, increased during December 2025, with the S&P GCC Composite Index expanding by 1.0%. The S&P GCC Composite Index rose amid favorable macros, and positive regulatory reforms, resulting in broad-based gains across Dubai (3.6%), Oman (2.8%), Abu Dhabi (2.5%), Qatar (1.4%), Bahrain (1.3%) and Kuwait (0.6%). Whereas on a yearly basis, S&P GCC Composite Index declined by 1.5% due to Saudi Arabia being the only loser, which declined by 12.8%. Dubai's equity market outlook for 2026 remains positive, underpinned by strong momentum in corporate earnings. Real estate listed developers and related sectors continue to benefit from healthy property demand, supporting revenue growth and balance sheet strength. Financial sector is expected to see balanced dynamics in 2026, as anticipated rate cuts may moderate net interest margins, partly offset by continued credit growth and stable asset quality.

DFM Equity Market Outlook 2026

We base our analysis on a set of three factors, which we believe will influence and impact market performance. We have assigned weights to each of these factors based on our assumption about the degree of influence it would have on stock market performance.

Three Forces Framework



Economic Factors

Economic growth forms the foundational pillar of our equity market outlook, as sustained non-oil GDP expansion directly supports corporate revenues, balance sheet strength, and investment visibility. A stable inflation environment and prudent fiscal management further reduce macro volatility and boosts investor confidence. As a result, a supportive growth backdrop strengthens our conviction in continued earnings delivery across key sectors, forming a positive base for equity returns in 2026.

UAE's Economic Growth

Economic Indicators	2022	2023	2024	2025e	2026f
Real GDP Growth (%)	7.5	4.3	4.0	4.8	5.0
Inflation - annual change	4.8	1.6	1.7	1.6	2.0
Fiscal Balance - % to GDP	10.3	6.5	7.0	5.9	5.5
Current Account Balance - % to GDP	13.0	13.1	14.5	13.2	12.3

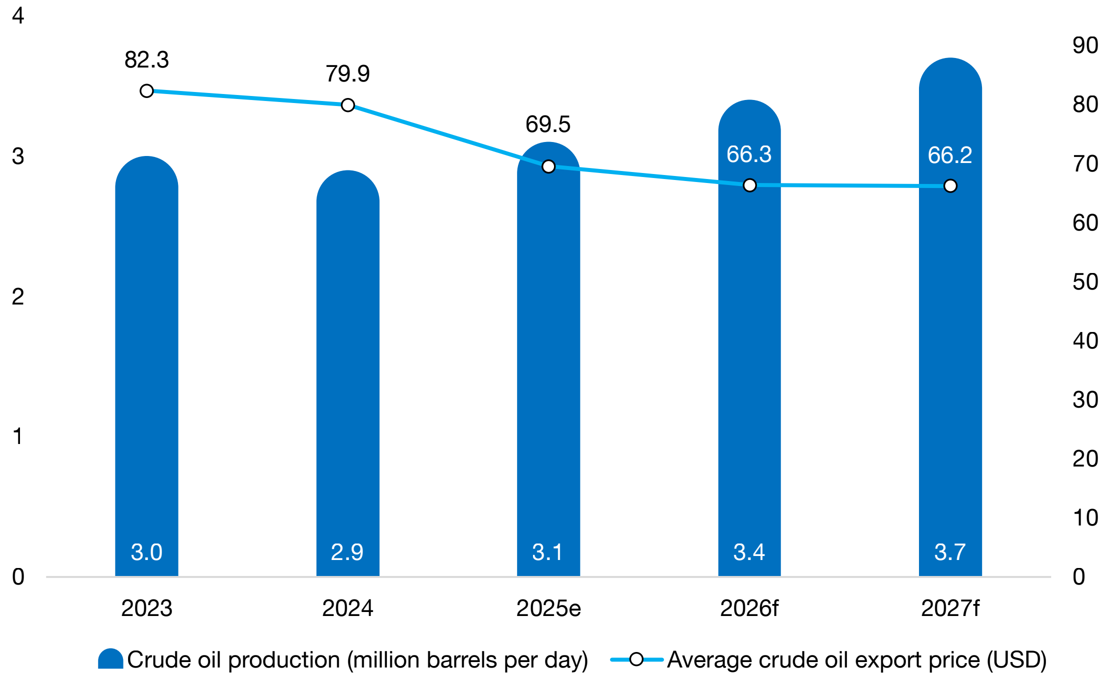
Source: IMF - WEO October 2025

GDP

The UAE has demonstrated strong resilience amid global uncertainty, regional conflicts, and lower, more volatile oil prices, with output growth outperforming both global and regional peers in recent years. The first half of 2025 recorded strong real GDP growth, with growth being 3.9% y/y in Q1 and 4.5% y/y in Q2, underpinned by robust expansion in non-hydrocarbon activities. Non-hydrocarbon GDP grew by 5.3% y/y in Q1 2025 and strengthened further to 6.1% y/y in Q2, driven primarily by financial and insurance services, manufacturing, construction, wholesale and retail trade, and real estate.

During 9M 2025, UAE's oil production averaged 3.0 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, this trend became evident from June 2025 and peaked at 3.4 million barrels per day in November 2025, marking the highest level for the year. The UAE's economic outlook remains strong, with real GDP growth supported by higher oil production and robust non-hydrocarbon growth.

UAE's Crude Oil Production (million barrels per day) and Average Export Price (USD)



Source: IMF Article IV, December 2025

According to IMF, UAE's real GDP is projected to expand by 4.8% in 2025, supported by strong non-hydrocarbon expansion of 4.6% alongside a 5.3% 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, real GDP growth is set to accelerate further 5.0%, driven by stronger hydrocarbon sector growth of 6.3% and non-hydrocarbon sector expansion of 4.6%. Growth momentum is underpinned by continued expansion in tourism, construction, and financial services complemented by large infrastructure investment.

Inflation

UAE's headline inflation increased to 1.1% y/y in Q3 2025, compared to 0.6% in the previous quarter. The growth was mainly driven by a reduced deflationary impact from the transportation component and a stronger contribution from the furniture and household goods item. IMF projects UAE's inflation to remain at 1.6% in 2025 and 2.0% in 2026, with housing related costs expected to be the main drivers of price pressures through the presence of structural constraints on tenancy rental increases, raising affordability issues, while tradables remain subdued.

The currency peg to the U.S. dollar peg has provided a credible anchor for monetary policy and inflation expectations, supported by ample external buffers. In the current uncertain global environment, it further enhances stability by providing a predictable policy framework and reinforcing investor confidence. The central bank largely tracks the US Federal Reserve, with rate cuts in the region tracking the Fed in 2025. Those cuts may slow in early 2026, but markets still expect two further cuts from the Fed which could see the UAE follow suit.

Fiscal Balance

UAE maintained a general government budget surplus in H1 2025, remaining positive at 3.8% of GDP vs 6.4% a year earlier. 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/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/y, from 18.0% to 15.8% of GDP, partly offset by rising social contributions of 8.4% and a strong increase in other revenues of 22.0%, suggesting that non-tax and diversified revenue sources played a more prominent stabilizing role.

Total expenditure rose by 12.7% y/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 expenditure compared to the 2025 plan. The allocation emphasizes 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.

With revenues expected to overperform relative to budgeted amounts, the overall fiscal surplus for the general government is expected to be 5.9% and 5.5% of GDP in 2025 and 2026 respectively. The non-hydrocarbon primary deficit is expected to gradually improve over the years, supported by the implementation of the corporate income tax and other indirect tax reforms.

Current Account Balance

The UAE's non-hydrocarbon foreign trade of goods rose by 23.6% y/y in the H1 2025, reaching AED 1,622 billion. Non-hydrocarbon 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-hydrocarbon export destination, accounting for 18.2% of total non-hydrocarbon exports, followed by India (14.3%) and Hong Kong SAR (10.2%).

Imports increased by 21.5% in the H1 2025, reaching AED 928.9 billion with China being 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.

According to the IMF, the UAE's current account surplus is projected to moderate to 13.2% of GDP in 2025 and further to 12.3% in 2026, reflecting the impact of ongoing economic diversification and elevated investment, which are expected to drive higher imports of intermediate and final goods. At the same time, non-hydrocarbon exports are anticipated to continue rising as diversification efforts gain traction.

Despite heightened regional and global uncertainty, the UAE is well positioned to navigate evolving global policy conditions, with limited direct exposure to recent U.S. tariff measures, as affected exports to the U.S. account for less than 3% of total exports. Moreover, the continued expansion of Comprehensive Economic Partnership Agreements (CEPAs) is expected to further strengthen external resilience and support long-term diversification objectives.

UAE's Macro Summary

The macro outlook for the UAE remains positive in 2026, driven by solid Growth, low and stable inflation, and the supportive policy environment. The UAE's reputation as a stable and well regulated market, rising foreign investor participation and long term commitment to diversification and innovation continue to strengthen the investment case as the country heads into 2026. While the outlook remains optimistic, selective risks persist in the medium term. A prolonged decline in oil prices would pressure fiscal revenues, sentiment of the overall equity market, even as non-hydrocarbon diversification is in place. The ongoing diversification also carries execution risk, given the scale of investment required and its reliance on sustained innovation. Also, the global growth uncertainties particularly in Europe and China, pose risks, with any sharper slowdown likely to weigh on trade, tourism and corporate earnings.

UAE's Economic Parameters Summary 2026

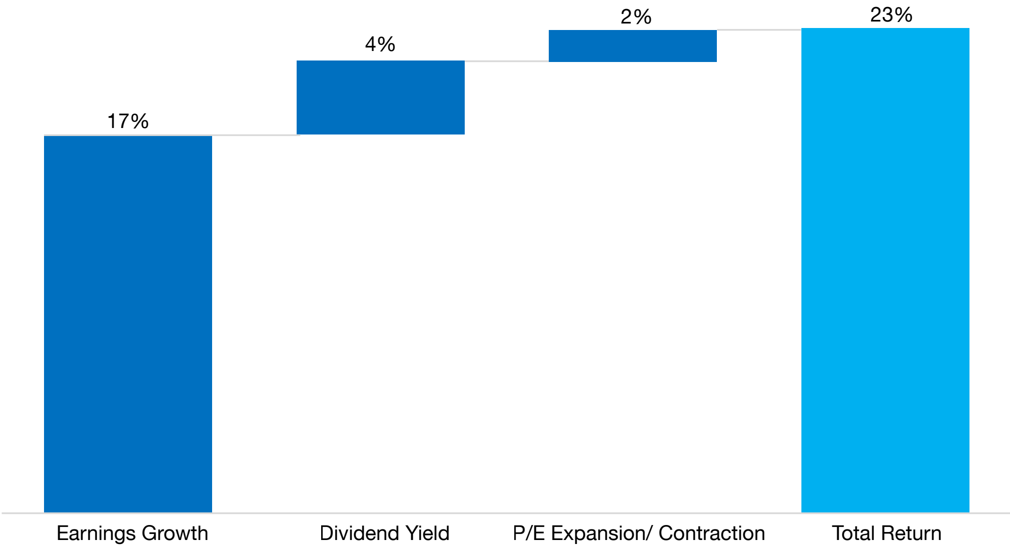
Economic Indicators	Outlook
Economic Growth	Positive
Inflation	Positive
Fiscal Balance	Positive
Current Account Balance	Positive
Overall Assessment	Positive

Source: Marmore Analysis

Historical Return Drivers - What Has Driven DFM Equity Returns?

Over the years, DFM has delivered strong and fundamental driven growth, supported by robust earnings growth rather than valuation re-rating. DFM has recorded strong double digit annualized total returns, reflecting a sustained recovery in corporate profitability supported by non-hydrocarbon economic growth, sector diversification, and improving balance sheets. Dividend income made a stable contribution to overall returns, while the P/E component indicates that market was largely supported by underlying earnings growth.

Return Decomposition of DFM General Index (5Y Annualized)



Source: LSEG as of Dec 31, 2025; Marmore Analysis

Earnings Growth Potential

Earnings growth is the most direct driver of equity market performance and holds the highest explanatory power for equity returns. Strong balance sheets, healthy credit growth, resilient domestic demand, and sector specific growth support a favorable earnings outlook in 2026. The historical dominance of earnings growth in total returns underscores its central role in shaping forward performance. The sustainability of earnings growth will be the key determinant of equity returns, reinforcing the importance of sector allocation within the market.

Corporate earnings grew moderately by 11.1% in FY 2024, after a robust post-pandemic performance. We expect the earnings to grow by 15.8% for FY 2025, with the expectation of better performance in Q4, followed by an increase of 10.0% in 2026.

In 2026, the real estate sector is likely to remain a key driver to the DFM's corporate earnings story, with real estate earnings supported by a strong demographic and investment environment despite potential price corrections due to rising supply. The financial sector outlook appears neutral, with banks likely to benefit from steady domestic credit growth and abundant liquidity, though anticipated rate cuts could compress margins. Meanwhile, diversified non-hydrocarbon drivers such as tourism, logistics, and technology adoption are expected to underpin earnings growth across a range of sectors, reinforcing the DFM's role as a regional corporate earnings engine in 2026.

How Are Key Sectors Driving Earning Growth?

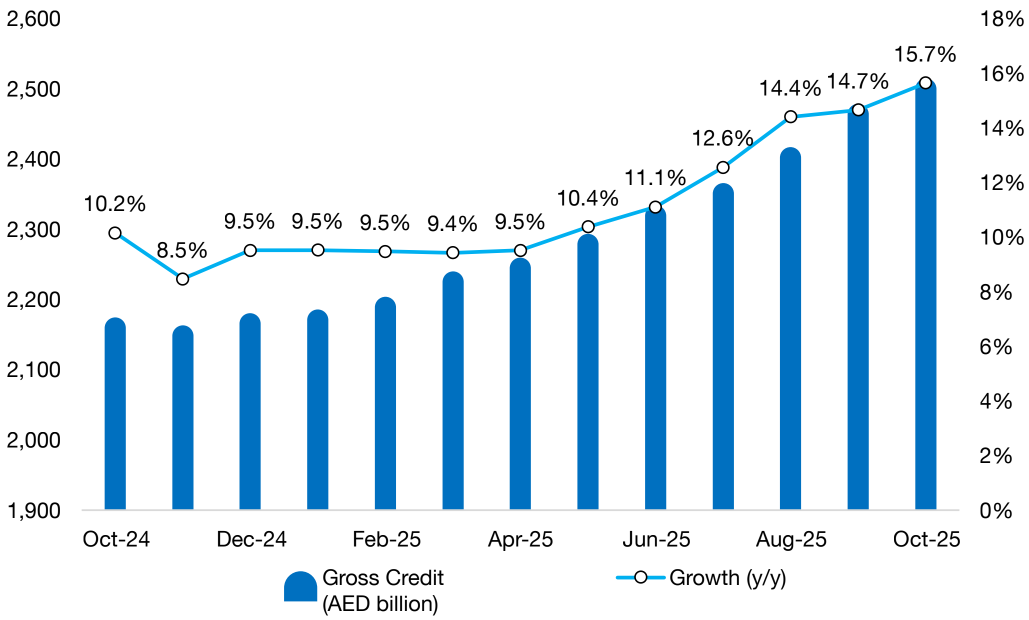
Industries	Share to Total Earnings (2025e)	Estimated	Outlook
		2025 y/y Growth	2026 y/y Growth
Financials	51.9%	11.1%	1.6%
Real Estate	26.2%	16.0%	20.0%
Utilities	9.7%	17.4%	7.0%
Industrials	5.0%	16.5%	17.8%

Source: LSEG, Marmore Analysis

Financial Sector

Financial institutions such as banks have been one of the main drivers of the overall earnings in DFM with market cap of Finance and Insurance sector companies constituting nearly 31% of DFM General Index in December 2025. We project financial sector earnings to rise by 11.1% by end of 2025, followed by a more modest 1.3% growth in 2026. Banks like Emirates NBD (ENBD) and Commercial Bank of Dubai (CBD) are expected to report EPS of 3.79 and 1.12 respectively by the end of 2025, where ENBD's EPS is expected to expand to 3.84 and CBD's EPS to remain flat at 1.12 respectively in 2026. This reflects solid earnings growth, supported by rising credit demand and strong capital buffers. However, easing rates in 2026 may squeeze the margins which might be offset by higher lending volumes, fee-based income and ongoing safe haven inflows. For investors, the sector is likely to continue offering a balance of income and growth, although returns may moderate following the strong performance seen in 2025.

Gross Credit by UAE Banks (AED billion)



Source: CBUAE, Marmore Analysis

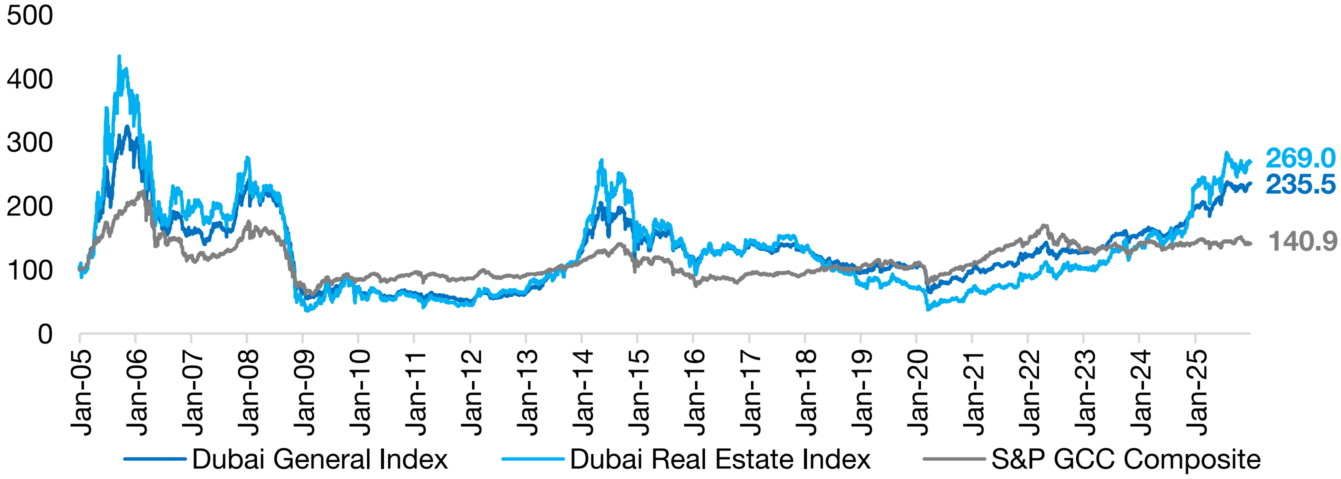
Real estate

Dubai residential real estate market gained further momentum through the first three quarters of 2025, recording increases in overall transactional activity, indicating sustained confidence from residents and global buyers, and long-term investment appetite. Dubai maintained higher transactions depth, particularly within the apartments market and mortgage-financed purchases.

Dubai's real estate stocks have been among the biggest beneficiaries of the property market's resurgence, delivering stellar returns over the past few years. In the past five years, Dubai Real Estate Price index has posted an annualized return of 39.2%, outperforming both the DFM General Index at 22.8% and the S&P GCC Index at 8.2%. Real Estate sector companies constituted nearly 27% of DFM General Index market cap in December 2025.

Dubai's real estate cycle remains one of the most closely watched themes in local markets. Marmore has recently published a report on Dubai Real Estate that can be accessed here. Developers and property-linked names, including Emaar, Tecom Group and Union Properties, continue to benefit from strong transaction activity, population growth and sustained international buyer interest. As mortgage costs gradually ease alongside lower rates, the broader ecosystem should remain supported in 2026, although elevated valuations mean execution will be increasingly important.

Dubai RE Index vs. Dubai and GCC main equity indices



Source: Refinitiv, Rebased 2005=100

Earnings Growth Summary

Year	Earnings Growth
2021	96.8%
2022	71.7%
2023	42.1%
2024	11.1%
2025e	15.8%
2026f	10.0%
Earnings Assessment	**Neutral**

Source: LSEG, Marmore Analysis

Valuation Attractiveness

Valuations play a critical role in shaping forward equity returns by determining the scope for multiple expansion or contraction. The historical return profile indicates that market performance has not relied heavily on aggressive multiple expansion, reinforcing the market's fundamentally driven nature. Valuations remain a supportive factor to allow earnings growth and dividends to translate into attractive total returns.

Despite a strong rally of 17.2% in 2025, DFM continues to appear attractive in terms of valuation. The current P/E multiple is largely close to 5-year average of 10.7x, indicating that recent performance has not been driven by excessive valuation re-rating. This highlights a blend of growth-oriented companies alongside relatively lower multiple stocks in Dubai. Although Dubai's P/B ratio has gradually risen, it remains low in absolute terms. High dividend yields at nearly 5% provide a meaningful income buffer and enhance total return potential which in turn supports DFMs attractiveness. Overall, Dubai remains supportive of earnings-led return from a diversified sector base.

Valuation Parameters Summary

Year	P/E (Annual Average)	P/B (Annual Average)	Dividend Yield (Annual Average)
2021	13.2	0.9	3.0
2022	11.5	1.1	3.1
2023	9.4	1.3	4.5
2024	8.7	1.5	5.4
2025	10.5	1.8	5.0
Valuation Assessment	**Positive**		

Source: LSEG, Marmore Analysis

Overall Ratings

DFM is expected to enter 2026 on a solid note, supported by resilient macro fundamentals, strong non-hydrocarbon growth, and a stable policy framework. Earnings growth remains the primary driver of returns of the overall equity market in the past, with real estate and financial sector contributing the most. Going forward real estate and diversified non-hydrocarbon sectors are expected to provide momentum, while financials offer stability and income despite margin pressures from rate cuts. Valuations remain reasonable, with limited reliance on multiple expansion and attractive dividend yields enhancing total return potential. Continued foreign investor participation, deepening market liquidity, and structural reforms further strengthen the investment case. While risks from oil price volatility and global growth uncertainty persist, DFM's earnings-led, strong and stable macro driven profile positions it well for sustainable equity returns in 2026.

Overall Market View for DFM

Title	Ratings
Economic Factors	**Positive**
Earnings Growth Potential	**Neutral**
Valuation Attraction	**Positive**
Market View	**Positive**

Source: Marmore Analysis; Note: A Positive market assessment could imply a market return greater than 10%; a Neutral assessment could imply a market return of 0% to 10%; a Negative assessment implies a market return less than 0%.

Appendix:

DFM Index Performance

Index	Free-float adj - mcap (USD Bn)	2025	2024	3-Yr CAGR	5-Yr CAGR	Calc. PE Ratio	Calc. PB Ratio	Calc. Div. Yield (%)
Dubai (DFMGI)	93.3	17.2	27.1	21.9	19.1	10.2	2.0	4.8

Source: LSEG as of Dec 31,2025

Performance of Top 15 Dubai Listed Companies by Free-Float Adjusted Market Cap

Companies	Free float adj-mcap (USD Bn)	2025	2024	3-Yr CAGR	5-Yr CAGR	P/E	P/B	Div. Yield (%)
Emaar Properties PJSC	23.8	18.3	72.8	42.3	38.1	7.6	1.4	7.1
Emirates Nbd Bank PJSC	18.6	36.1	32.6	35.9	27.7	7.9	1.3	3.6
Dubai Islamic Bank PJSC	13.2	38.9	33.5	25.3	21.5	8.7	1.4	4.9
Dubai Electricity and Water Authority PJSC	6.8	2.3	21.5	12.0	3.4	17.3	1.6	4.5
Emaar Development PJSC	3.4	17.5	104.2	62.1	46.8	6.0	1.9	4.5
Emirates Integrated Telecommunications Company PJSC	3.3	39.7	54.5	26.6	17.0	16.1	4.7	5.9
Salik Company PJSC	3.2	21.3	81.0	42.2	26.3	27.7	58.9	2.9
Air Arabia PJSC	3.1	63.2	17.0	39.0	36.6	14.0	2.7	5.4
Commercial Bank of Dubai PSC	3.0	37.8	49.6	34.8	24.6	8.5	1.5	5.5
Dubai Investments PJSC	2.9	78.8	-2.0	25.7	27.5	9.7	1.1	5.0
ALEC Holdings PJSC	2.1	7.8	-	2.5	1.5	12.8	6.4	-
Mashreqbank PSC	2.0	25.6	57.8	49.1	40.0	6.3	1.3	8.3
Deyaar Development PJSC	1.2	16.0	42.0	30.9	25.1	8.1	0.8	4.9
Talabat Holding PLC	1.2	-30.0	-6.0	-13.0	-8.0	2.3	2.3	-
Parkin Company PJSC	1.2	21.4	74.3	28.4	16.2	30.4	26.8	3.5

Source: LSEG as of Dec 31,2025

Market Performance – December 2025

Equities	Returns		
	2025	Dec-25	2024
S&P GCC Composite	-1.5	1.0	2.0
Saudi Arabia	-12.8	-0.9	0.6
Kuwait	21.0	0.6	8.0
Abu Dhabi	6.1	2.5	-1.7
Dubai	17.2	3.6	27.1
Qatar	1.8	1.4	-2.4
Oman	28.2	2.8	1.4
Bahrain	4.1	1.3	0.7

Source: LSEG as of Dec 31,2025

Commodities	Returns		
	2025	Dec-25	2024
Oil (Brent)	-18.5	-3.7	-3.1
Natural Gas	1.5	-24.0	44.5
Gold	64.4	2.0	27.2

Source: LSEG as of Dec 31,2025

Fixed Income	Yields	
	2024	2025
U.S. Treasury 10Y Sov.	4.6	4.2
Saudi Arabia 10Y Sov.	5.2	4.9
UAE 10Y Sov.	4.7	4.3

Source: LSEG as of Dec 31,2025

ABOUT MARMORE

Marmore MENA Intelligence

15+ Years of Consulting & Research Expertise in GCC	**50** Years since our parent company Markaz was established in Kuwait.
150+ Clients Across Middle East	**200+** Published Insights

Our Areas of Expertise

Our Business Operates in Two Key Verticals

Consulting

- Strategic/Competitors Intelligence
- Market Entry Strategies
- Business Plan
- Fintech Adoption/Integration
- Digital Banking Intelligence
- Robo-Advisory Solutions
- Company Valuation

Research Services

- Macro Economic Research
- Industry Research
- Capital Market Research
- Fixed Income Research
- Equity Research (Buy-side/Sell-Side)
- Thematic Reports
- White Papers

To know more Scan here