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CENTRAL BANK OF THE U.A.E.

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Quarterly Economic Review

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List of Abbreviations

AED	*United Arab Emirates Dirham*
AEs	*Advanced Economies*
BoE	*Bank of England*
CBUAE	*Central Bank of the UAE*
CDs	*Certificates of Deposit*
CEPA	*Comprehensive Economic Partnership Agreement*
CPI	*Consumer Price Index*
DONIA	*Dirham Overnight Index Average*
DFM	*Dubai Financial Market*
DSC	*Dubai Statistics Centre*
ECB	*European Central Bank*
ELAR	*Eligible Liquid Asset Ratio*
EMDEs	*Emerging Markets and Developing Economies*
Fed	*Federal Reserve*
GCC	*Gulf Cooperation Council*
GDP	*Gross Domestic Product*
GREs	*Government Related Entities*
IMF	*International Monetary Fund*
M1	*Monetary Aggregate 1*
M2	*Monetary Aggregate 2*
M3	*Monetary Aggregate 3*
M-o-M	*Month-on-Month*
MGF	*Minimum Guarantee Fund*
NEER	*Nominal Effective Exchange Rate*
NBFI	*Non-Banking Financial Institutions*
NPL	*Non-Performing Loans*
PBOC	*People's Bank of China*
OPEC	*Organization of Petroleum Exporting Countries*
PMI	*Purchasing Managers' Index*
RBI	*Reserve Bank of India*
REER	*Real Effective Exchange Rate*
UAE	*United Arab Emirates*
UK	*United Kingdom*
US	*United States of America*
USD	*United States Dollar*
WEO	*World Economic Outlook*
WPS	*Wages Protection System*
Y-o-Y	*Year-on-Year*

Executive Summary

The global economic outlook is projected to remain steady, with growth of 3.2% for both 2024 and 2025, based on the most recent forecast by the IMF. The IMF revised its US GDP growth forecast upward to 2.8% for 2024. However, the US GDP growth is expected to moderate to 2.2% in 2025, reflecting tighter fiscal policies and reduced consumption as the labour market cools. For other advanced economies average growth is projected at 1.8% for this year and next. In contrast, growth projections for emerging market and developing economies were revised downward to 4.2% for both 2024 and 2025, primarily due to weakness in the real sector, adverse weather shocks, and ongoing regional conflicts.

Global inflation continues to decline, driven by the lagged effects of restrictive monetary policies implemented in 2022 and 2023, softening labour markets, and disinflation in goods prices. This has allowed central banks in advanced economies to continue with an easing cycle, signalling a shift away from the high-interest rate environment of recent years. However, inflationary pressures persist, particularly in transportation and shelter costs. Combined with mixed signals from labour markets, this suggests a gradual easing of monetary policy, with central banks maintaining a cautious and data-driven approach.

Nevertheless, uncertainty persists regarding the long-term trajectory of interest rates, particularly in light of the recent US elections and potential fiscal policy shifts under the new administration. The trajectory of financial conditions will remain contingent on future economic developments, including the evolution of inflation, labour market dynamics, and global geopolitical risks.

The UAE's non-oil trade exceeded AED 1.3 trillion in H1 2024, equivalent to 134% of GDP. This represents a 10.6% Y-o-Y increase and reflects a successful implementation of the plan to diversify the UAE economy and strengthen ties with key trading partners. This strong performance, driven by comprehensive economic partnership agreements, is expected to continue through 2024 and 2025, supporting real GDP growth projections of 4.0% in 2024 and accelerating to 4.5% in 2025. While OPEC+ decisions on production quotas amid global uncertainties will influence overall growth, the non-hydrocarbon sector remains robust, with forecasted growth of 4.9% in 2024. The hydrocarbon sector is also accelerating due to the expected gradual lifting of production cuts starting in Q2 2025. Together with the strong performance of the non-hydrocarbon sector, overall growth is projected to remain robust through 2028.

Considering global and domestic factors, including commodity prices, wages, and rents, the CBUAE revised its inflation forecast for the UAE from 2.2% to 1.8% for 2024. Inflation is projected to reach around 2.0% in 2025, primarily driven by non-tradeable components and global factors. Inflation is expected to accelerate slightly in 2026.

The residential real estate sector in Abu Dhabi saw a 15.5% Y-o-Y decline in the number of sales transactions during the first nine months of 2024, while residential sales transactions in Dubai increased sharply by 34.3% Y-o-Y. The median sales price per square meter for residential real estate in Abu Dhabi during January-September 2024 remained almost flat, with 0.3% Y-o-Y growth, whereas prices in Dubai experienced an 11.1% Y-o-Y rise. Housing costs, measured by median rent per SQM, grew at 4.2% Y-o-Y in Abu Dhabi and 14.5% Y-o-Y in Dubai during the first 3 quarters of 2024.

In the first nine months of 2024, Dubai strengthened its position as a global tourism hub, with hotel occupancy rising to 76.4% and overnight visitors increasing by 7.0% Y-o-Y to 13.3 million, driving significant contributions to the non-oil economy. Furthermore, the UAE’s transportation sector saw strong growth in the first eight months of 2024, showing a 12.6% Y-o-Y increase. These trends underscore the UAE’s role as a global leader in tourism and aviation.

Following the reduction by the US Federal Reserve cut to its Interest Rate on Reserve Balances (IORB) rate, the CBUAE reduced its key policy rate (Base Rate) to 4.65% in November 2024. The Dirham Overnight Interest Average (DONIA) rate remains around 15 basis points below the Base Rate, reflecting sustained excess reserves. The banking sector's robust 14.1% Y-o-Y deposit growth in Q3 2024 further supported favourable funding and liquidity conditions. Loan portfolios also continued to expand, growing 9.1% Y-o-Y at the end of Q3 2024, primarily driven by business and retail lending. The UAE banking system remains resilient, underpinned by adequate capital and liquidity buffers.

In Q3 2024, Dubai Financial Market’s share price index rose by 6.4% Y-o-Y, while the Abu Dhabi Securities Market General Index fell by 4.5% Y-o-Y. CDS premia for Abu Dhabi and Dubai remained low, underscoring the UAE’s dynamic economy, strong fiscal position and large sovereign wealth funds. The insurance sector demonstrated robust growth, with gross written premiums increasing by 20.5% Y-o-Y and gross paid claims rising by 26.8% Y-o-Y in the first nine months of 2024. Technical provisions also grew by 26.8% Y-o-Y, and the sector maintained healthy capital adequacy and earnings ratios, reflecting its strong capitalisation.

The cut-off date of this report is mid-November.

Chapter 1

International Economic Developments and UAE External Sector

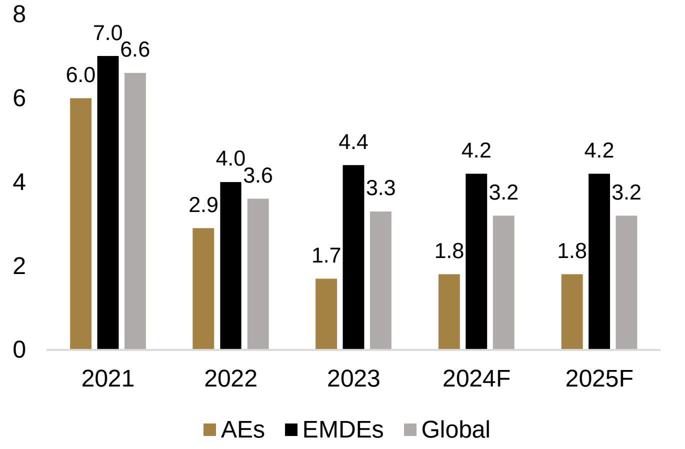
I.1. Global Economic Outlook

Global economic growth is expected to remain steady at 3.2% in 2024 and 2025	Growth in advanced economies is projected to remain stable at 1.8% in 2024 and the following year	Growth in emerging markets was revised downward to 4.2% for both 2024 and 2025, while the GCC's growth is forecasted to rebound from 0.4% in 2023 to 1.7% in 2024

Global Economy

Global economy is projected to grow 3.2% in 2024 by the International Monetary Fund (IMF) in its October 2024 World Economic Outlook (WEO). The IMF slightly revised its forecasts downward for 2025 from 3.3% to 3.2%. Projected global growth remains below the historical average of 3.8% between 2000 and 2019, reflecting an underwhelming global economic performance. This subdued outlook is largely attributed to the lagged effects of tight monetary policy and consolidated fiscal stances in advanced and developing countries. The global economic outlook is subject to various downside risks, including elevated policy uncertainty due to elections in countries representing half of the global population this year, escalations in regional conflicts, rising protectionist policies and reduced growth outlook in China.

Figure 1.1 Global Real GDP Growth (%)



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

Advanced Economies

After a relatively higher growth rate of 2.9% in 2022 due to the post-COVID-19 rebound, advanced economies experienced a significantly lower growth of 1.7% in 2023. For 2024 and 2025, the IMF forecasts a modest stable economic growth rate of 1.8% in advanced economies.

The US growth forecast for 2024 has been revised up by 0.2 percentage points from the July forecast, to 2.8%, mainly due to strong consumption and non-residential property investment. Increases in real wages of lower-income households and wealth effects are major contributors to strong consumption. However, GDP growth is expected to moderate in 2025 as fiscal policy tightens and a cooling labour market reduces consumption growth.

Growth in the euro area is expected to rebound from its low rate of 0.4% in 2023 to 0.8% in 2024 and 1.2% in 2025. Improved export performance in goods is likely to drive this recovery in 2024. The acceleration in 2025 is attributed to domestic demand, supported by rising real wages and increased investment driven by easing financing conditions. In the United Kingdom (UK), growth is projected to rise from 0.3% in 2023 to 1.1% in 2024 and further accelerate to 1.5% in 2025, driven by declining inflation and lower interest rates, which are expected to boost domestic demand.

In Japan, economic growth is projected to slow to 0.3% in 2024 before picking up to 1.1% in 2025. This year's weak growth is primarily due to temporary supply disruptions in the car industry and stabilising tourism demand. However, the higher growth rate predicted for 2025 is likely driven by slight improvements in private consumption as real wages increase.

Table 1.1 Real GDP Growth in Advanced Economies (%)

	2022	2023	2024F	2025F	Q4 2024 (Y-o-Y)
Global	3.6	3.3	3.2	3.2	-
AEs	2.9	1.7	1.8	1.8	1.9
US	2.5	2.9	2.8	2.2	2.5
Euro area	3.3	0.4	0.8	1.2	1.2
UK	4.8	0.3	1.1	1.5	2.1
Japan	1.2	1.7	0.3	1.1	1.8

Sources: International Monetary Fund, World Economic Outlook – October 2024.
Notes: F=forecast, AEs=Advanced Economies.

Emerging Markets and the GCC Economies

Growth in emerging market and developing economies (EMDEs) was revised downward by the IMF to 4.2% for both 2024 and 2025 from the previous estimate of 4.3% in the July 2024 WEO Update. Although the expected growth is above the global average, significant disparities persist across regions. While weakness in the real sector, adverse weather shocks, and ongoing conflicts led to downward revisions in emerging Asia and sub-Saharan Africa regions in 2024, this will be partially offset by an upward revision for Latin America and the Caribbean.

Specifically, growth in emerging and developing Asia is projected to slow to 5.3% in 2024 and further to 5.0% in 2025, slightly below the July 2024 WEO Update forecast.

Forecasted growth in China has been revised downwards slightly from 5.0% to 4.8% for 2024, while the forecast for 2025 was kept stable at 4.5%. The downward revision is primarily due to continuing weaknesses in the real estate sector and low consumer confidence. However, robust export performance offset the low performances of other sectors, leading to overall marginal deceleration.

India's growth is projected at 7.0% this year, a decline from 8.2% in 2023, which marked a strong rebound in the early post-pandemic period. Growth is expected to moderate further to 6.5% in 2025 as the impact of pent-up demand continues to wane.

In Latin America and the Caribbean, growth is expected to slightly decline from 2.2% in 2023 to 2.1% in 2024 before gaining momentum and rising to 2.5% in 2025. Nevertheless, growth in Brazil has been revised upward by 0.9 percentage points compared to the WEO July Update forecast, driven by strong private consumption and investment in the first half of the year. Additionally, the adverse effects of the flooding have been lower than initially estimated.

For emerging and developing Europe, growth is projected to remain steady at 3.2% in 2024, followed by a slowdown to 2.2% in 2025.

Economic growth in the GCC region is expected to increase from 0.4% in 2023 to 1.7% in 2024, despite the contraction in oil production and exports due to the extension of voluntary oil production cuts. The stronger growth in non-oil activities is primarily driven by the financial services, manufacturing, trade and tourism sectors on the back of economic reforms aimed at diversifying the region's economy beyond oil dependency. Public sector investment has been a significant driver of non-oil sector diversification. In 2025, growth is projected to significantly accelerate to 4.1% as oil production is likely to recover and shipping disruptions are expected to ease.

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

	2022	2023	2024F	2025F
EMDEs	4.0	4.4	4.2	4.2
Brazil	3.0	2.9	3.0	2.2
China	3.0	5.2	4.8	4.5
India	7.0	8.2	7.0	6.5

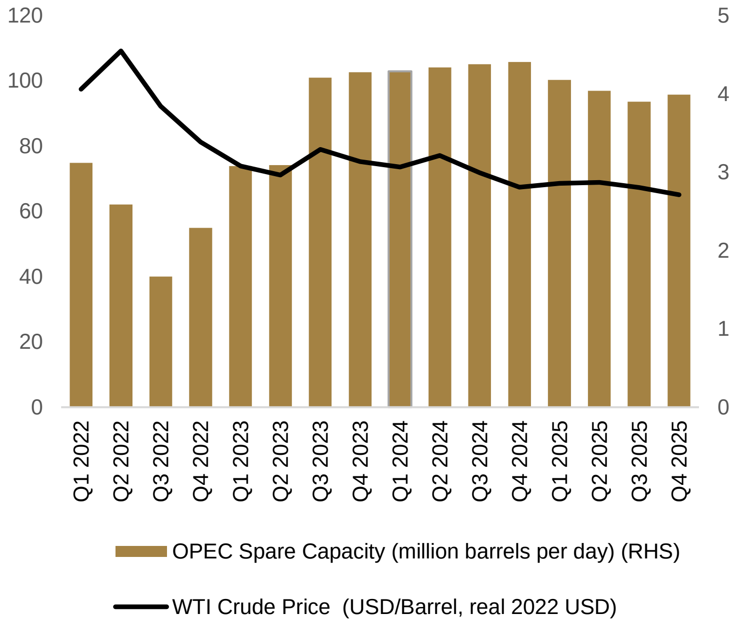
Source: International Monetary Fund, World Economic Outlook - October 2024.
Notes: F=forecast, EMDEs=Emerging Market and Developing Economies.

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

	2022	2023	2024F	2025F
GCC	7.1	0.4	1.7	4.1
UAE*	7.5	3.6	4.0	4.5
Saudi Arabia	7.5	-0.8	1.5	4.6
Qatar	4.2	1.2	1.5	1.9
Kuwait	5.9	-3.6	-2.7	3.3
Oman	9.6	1.3	1.0	3.1
Bahrain	6.0	3.0	3.0	3.2

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

Figure 1.2 OPEC Oil Spare Capacity and Oil Prices



Source: US Energy Information Administration.

I.2. Inflation and Monetary Policy Responses

Global inflation is projected to decline from 6.7% in 2023 to 5.8% in 2024	Inflation is declining in most regions, due to lower energy and goods prices	Several central banks cut interest rates in response to declining inflation rates

Global Inflation

Global inflation continues to decline. According to the IMF's October 2024 WEO, global inflation is projected to fall from 6.7% in 2023 to 5.8% in 2024 and further to 4.3% in 2025. This downward trend is driven mainly by the accumulated impact of restrictive monetary policies since 2022, softening labour markets, and stronger disinflation in the prices of goods.

Advanced Economies' Inflation

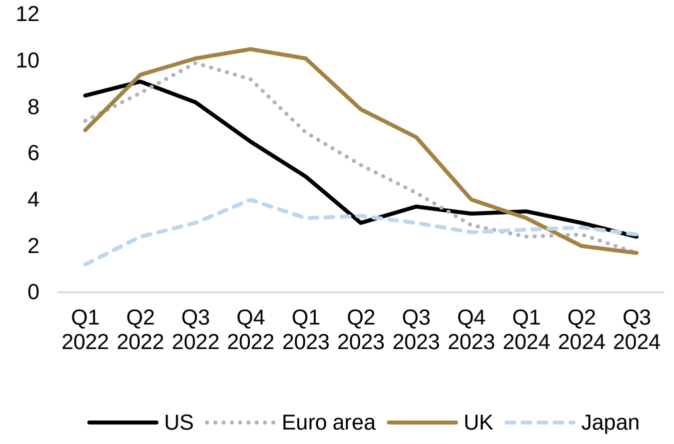
In the US, headline CPI inflation rose to 2.6% Y-o-Y in October 2024. Despite signs of inflation moderating elsewhere, shelter prices continued to be a major contributor to inflation in November. The US Federal Reserve (Fed) cut their policy rate by another 25 bps to 4.50%-4.75%, citing a generally eased labour market. Although inflation is approaching the 2.0% target, it seems the FED lacks confidence in the recent trend in inflation. Uncertainty regarding the implications of new presidential party policies may prompt the FED to adopt a cautious approach to rate cuts.

The annual inflation rate in the euro area was 2.0% Y-o-Y in October 2024. The biggest upward pull in the headline rate came from food, alcohol, and tobacco, where price increases accelerated to 2.9%. The European Central Bank (ECB) cut interest rates in October for the third time this year by 25 bps to 3.5% as inflation rates in key sectors like energy and goods prices moderated significantly in the Eurozone. However, the outlook for the bloc's economy was worsening.

UK inflation fell more than expected to a three-year low of 1.7% in September, driven by lower air fares and petrol prices. The Bank of England cut interest rates by 25 bps in November, setting the policy rate at 4.75%. The Bank, however, warned inflation might trend higher, although not to previous highs. This could mean UK interest rates might take longer to fall.

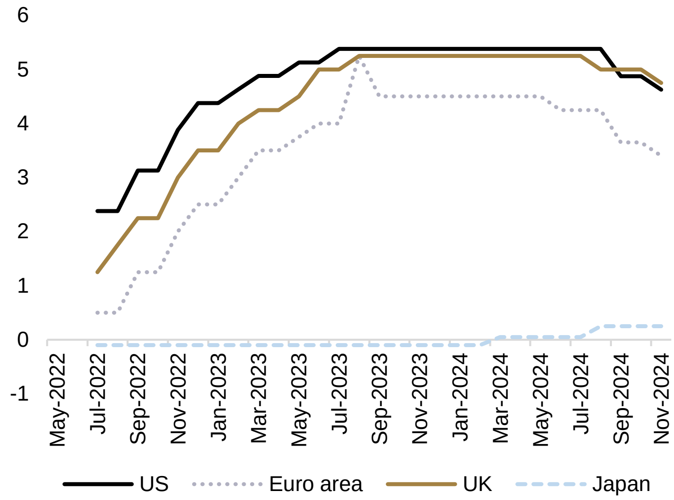
The Bank of Japan (BoJ) maintained its policy rate of 0.25% at the October meeting. Japan's core inflation in September slowed to 2.4% Y-o-Y due to the resumption of government subsidies for utility bills. The base effect of the government's halving of subsidies for electricity and city gas bills in October last year is expected to be primarily reflected in the inflation numbers and fade in the coming months.

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



Source: Bloomberg.

Figure 1.4 Policy Rates in Selected Advanced Economies (%)



Source: Bloomberg.

Emerging and GCC Economies' Inflation

China's consumer inflation rate fell in October compared to the previous month, while producer price deflation deepened, even as Beijing rolled out more stimulus measures. The CPI rose 0.3% Y-o-Y in October. To boost business and consumer confidence amid lagging growth, the People's Bank of China (PBoC) surprised markets by cutting its benchmark lending rate by 25 bps in October to 3.10% from 3.35%.

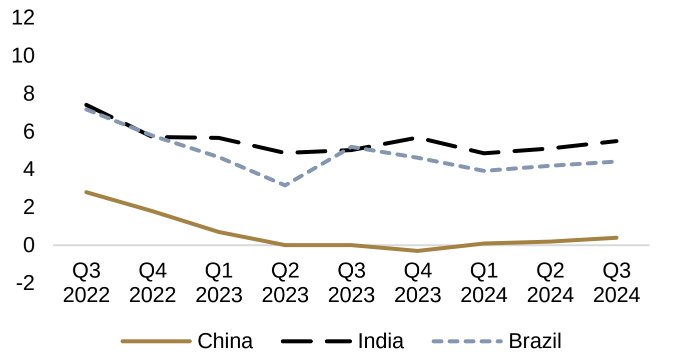
India's retail inflation rose to 6.2% Y-o-Y in October, driven by higher vegetable prices and a lower base effect, surpassing the Reserve Bank of India's (RBI) 4.0% medium-term target. In its October 2024 monetary policy meeting, the Reserve Bank of India (RBI) kept its benchmark policy repo rate unchanged at 6.5%.

The annual inflation rate in Brazil was 4.8% in October 2024, above the Government's inflation target of 3.0%. The Central Bank accelerated its monetary tightening with a 50-bps interest rate hike in October, pushing rates to 11.25%. In the minutes of the decision, policymakers stressed that further deterioration in inflation expectations could prolong the monetary tightening cycle.

Inflation in the GCC has remained relatively low compared to other regions despite ongoing geopolitical tensions in the Middle East and global economic uncertainties. Saudi Arabia's inflation rate reached 1.9% Y-o-Y in October 2024, driven mainly by an 11.7% rise in housing prices, the highest pace since 2013. The annual inflation rate in Qatar reduced significantly to 0.8% Y-o-Y in September 2024. Kuwait's inflation fell below 3%, dropping to 2.8% Y-o-Y in September 2024. The increase was attributed to a rise in the rates relating to clothes, food and education. Oman recorded the lowest inflation rate, with consumer prices rising 0.4% Y-o-Y in September. Bahrain's inflation fell to 0.4% Y-o-Y in September 2024, driven by deflating prices for food and non-alcoholic beverages, clothing and footwear, and recreation and culture.

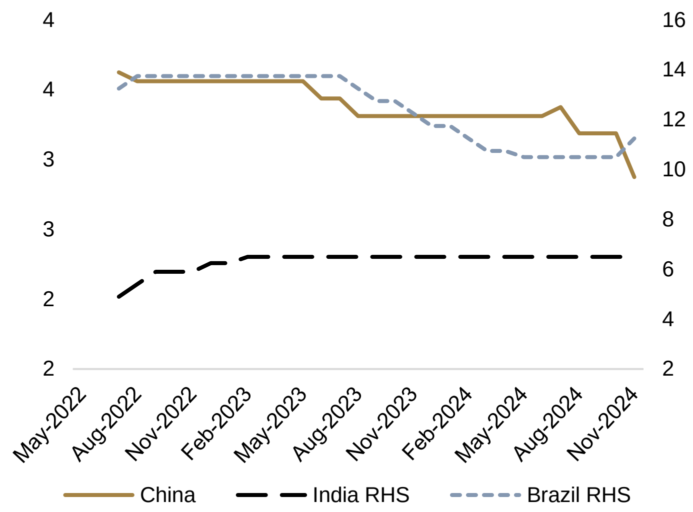
In November 2024, the central banks of the GCC economies, whose currencies are pegged to the USD, cut their policy rates in alignment with the US Federal Reserve's rate reduction. The central banks of Saudi Arabia, the UAE, Oman, and Bahrain each matched the 25-bps cut, while Qatar reduced its rates by 30 bps. Kuwait, whose currency is pegged to an undisclosed basket of currencies, kept its rates unchanged.

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



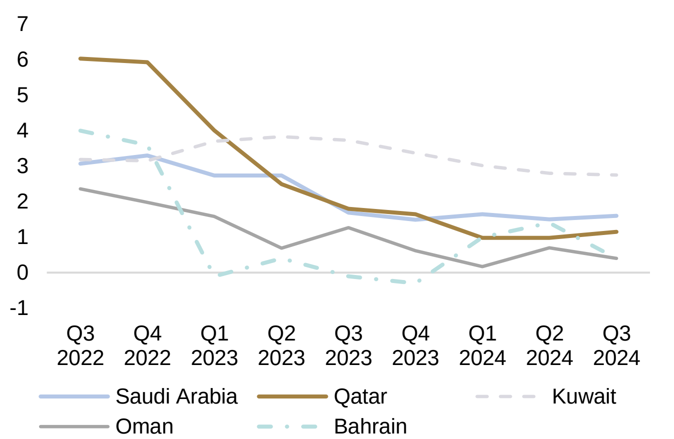
Sources: Bloomberg, Global Source Partners.

Figure 1.6 Policy Rates in Selected Emerging Economies (%)



Source: Bloomberg.

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



Sources: Bloomberg.

I.3. Global Markets' Developments

Global financial conditions continued to loosen amid monetary policy easing	Commodity prices increased due to supply limits, geopolitical risks and demand growth	Growth in non-oil exports and imports of the UAE continued in 2024

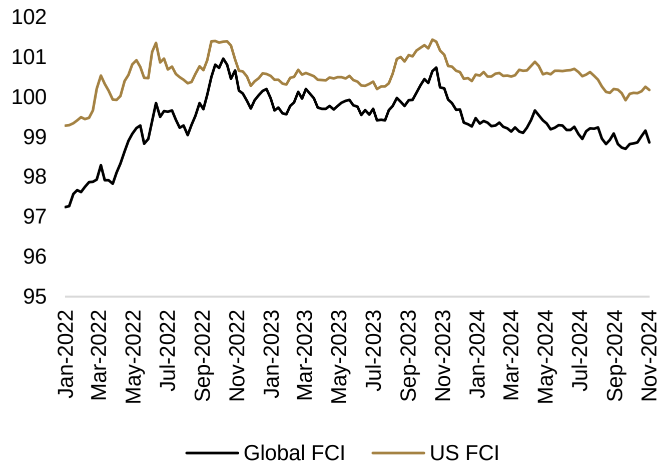
Global Financial Conditions

Global financial conditions have remained accommodative in November 2024 compared to six months ago. This was supported by monetary easing in major economies, which kept volatility relatively low and, in turn, allowed emerging markets to maintain resilience through proactive policies, such as fiscal stimulus measures and currency interventions. Additionally, elevated equity and corporate bond valuations contributed to maintaining relatively easy financial conditions in advanced economies by historical standards. Major central banks have been focused on domestic monetary and financial conditions, with adjustments in monetary policy providing a buffer against external pressures.

In the US, financial conditions eased due to ongoing monetary adjustments aimed at countering a slowing economy and buoyed by the post-election equities rally. Moderating inflation and softer labour market data reinforced expectations of gradual easing of monetary policy, fostering a more accommodative stance. However, there is uncertainty about the long-term path of interest rates, especially after the recent US elections and potential fiscal policy shifts under the new administration, as witnessed in implied policy rate expectations volatility. The trajectory of financial conditions remains contingent on future economic developments.

Overall, developed economies easing monetary policies are reducing pressures on emerging markets by strengthening their currencies against the US dollar and reducing imported inflation. However, inflation in services, occasional increases in food prices and unexpected market swings or geopolitical tensions could still disrupt this supportive environment and pose challenges.

Figure 1.8 Financial Conditions Indices



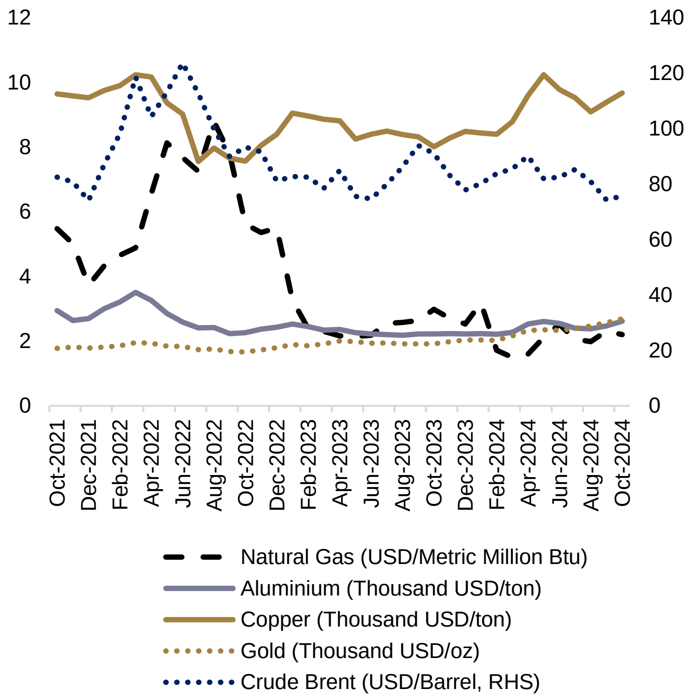
Source: Goldman Sachs.

Commodities

Brent crude oil prices reached USD 75.7 per barrel in October 2024, rising from USD 74.3 in September. This increase reflects sustained production constraints by OPEC+, while concerns over potential disruptions from the Middle East's ongoing tensions have supported prices. Nevertheless, lower demand from China has been the largest factor weighing on prices, further capping gains despite broader economic caution. Similarly, natural gas prices experienced volatility in recent months, reaching USD 2.2 per MMBtu in October 2024, an increase from USD 2.0 in August but lower than USD 2.5 in June.

Gold has witnessed a significant price increase, attributable to geopolitical tensions, the expectation of US rate reductions, and historical inflation levels in the US. In October 2024, gold reached record-breaking levels, exceeding USD 2600 per ounce, marking a 40.4% increase Y-o-Y. Copper and aluminium have experienced a 20.7% and 18.1% Y-o-Y surge in prices, respectively,

Figure 1.9 Commodity Prices



Sources: Bloomberg, US Energy Information Administration.

driven by the rising demand for renewable energy sources, electric vehicles, grid infrastructure and growth in data centres.

In October 2024, the UN Food and Agricultural Organization food price index rose by 5.5% Y-o-Y, reflecting notable price growth in vegetable oils and dairy. In Q3 2024, global food prices were impacted by supply disruptions from adverse weather and geopolitical uncertainties, with increased demand for vegetable oils and dairy pushing prices higher across various categories.

UAE's International Trade

UAE's non-oil foreign trade of goods in the first six months of 2024 increased by 10.6% Y-o-Y, exceeding AED 1.3 trillion (equivalent to 134% of GDP).

Non-oil exports of the UAE increased significantly (25.2%) during the first six months of 2024 compared to the same period last year, reaching AED 249.2 billion, driven mainly by a significant increase in gold (50% Y-o-Y) and jewellery (47% Y-o-Y) exports. Iraq was the UAE's top non-oil export partner in the first half of 2024, accounting for 11.1% of total non-oil exports. India (10.5%) and Hong Kong SAR (9.6%) were also among the top three trading partners. Overall, the most exported non-oil goods were gold, (48.1% of total non-oil exports), followed by jewellery (4.9%) and tobacco products (4.4%).

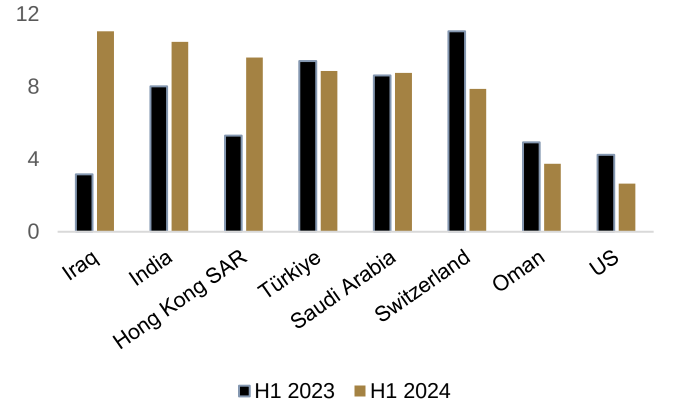
Re-exports reached AED 301.6 billion in the first half of 2024. Saudi Arabia, with a share of 12.5%, remained the top destination for UAE re-exports, followed by Iraq (10.7%), and India (7.7%). Telecommunications equipment dominated re-exports, accounting for 18.8%, while diamonds (10.7%) and motor vehicles (6.5%) were also among the most re-exported goods.

Imports increased by 11.4% in the first six months of 2024 compared to the same period of the previous year, reaching AED 764 billion. China was the most important trading import partner, accounting for 18.7% of total imports, followed by India (7.1%) and the US (6.1%). With a share of 23.2%, gold topped the list of most imported goods, while telecommunications equipment and motor vehicles were the second and the third most imported goods, with a share of 9.2% and 6.4%, respectively.

Exchange Rate

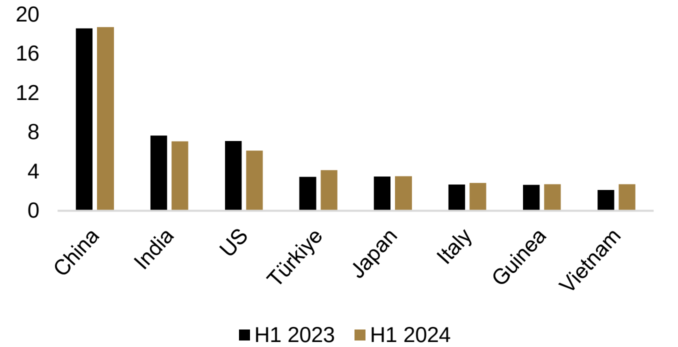
The nominal effective exchange rate (NEER), which considers bilateral exchange rates of the national currency against a basket of UAE's trading partners, depreciated by 1.7% Y-o-Y in September 2024 as the US Dollar index (DXY) weakened. Likewise, the real effective exchange rate (REER), which accounts for inflation differentials between the UAE and its trading partners, depreciated by 3.5% compared to a year ago, reflecting the UAE's notable lower inflation rate vis-à-vis its trading partners. The REER depreciation contributes to boosting the competitiveness of non-oil exports.

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



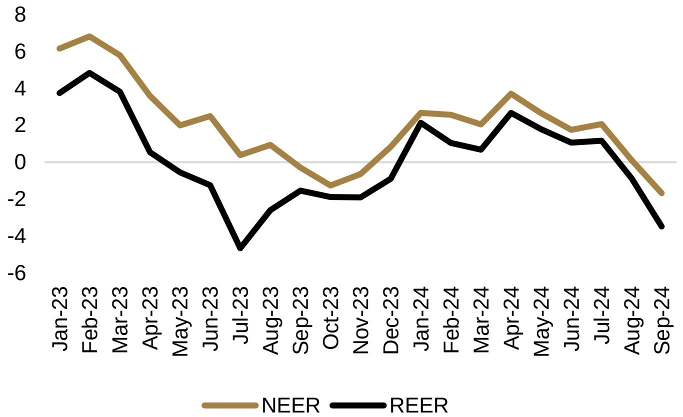
Source: Federal Competitiveness and Statistics Centre.

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



Source: Federal Competitiveness and Statistics Centre.

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



Source: Central Bank of the UAE.
* Increase means appreciation

Chapter 2

Domestic Economic Developments

II.1. Economic Growth

Real GDP accelerated to 3.9% Y-o-Y in Q2 2024, reflecting a strong non-hydrocarbon sector	Real GDP growth is projected to rebound to 4.0% in 2024 and further accelerate to 4.5% in 2025, from 3.6% growth in 2023	Non-hydrocarbon GDP growth is expected to remain robust in the near- and medium-term

Real GDP Outlook

In the second quarter of 2024, the UAE economy expanded by 3.9% Y-o-Y, higher than the 3.4% Y-o-Y growth registered in Q1 2024. This quarterly number was driven by accelerating non-hydrocarbon growth (which accounts for around 75% of GDP).

The CBUAE maintained its GDP growth projection for 2024 at 4.0%. Growth forecasts are driven by tourism, transportation, financial and insurance services, construction and real estate, and communications sectors. At the same time, the current levels of oil production in 2024 are projected to partially moderate the overall growth. For 2025, growth has been revised down to 4.5% due mainly to the OPEC's meeting decision in December 2024 to extend production cuts. Growth is projected to be 5.5% in 2026, primarily due to the base effects of hydrocarbon GDP. The CBUAE forecasts output growth to remain robust, driven by the strong performance of both hydrocarbon and non-hydrocarbon sectors beyond 2026 through 2028.

Nevertheless, there are considerable risks surrounding the growth forecasts. On the downside, risks stem from a potential escalation of current geopolitical tensions, a global economic deceleration resulting from an extended period of high interest rates, potential further oil production cuts by OPEC+, and the indirect effect of lower oil prices on the non-hydrocarbon sector. Conversely, on the upside, successful implementation of reforms, including diversification and faster-than-expected interest cuts in major advanced economies, could boost economic performance.

Table 2.1 Real GDP Growth in the UAE (%)

	2023	2024 F	2025 F	2026 F	2027 F	2028 F
Overall GDP	3.6	4.0	4.5	5.5	4.8	4.4
Non-hydrocarbon GDP	6.2	4.9	5.0	4.8	4.6	4.5
Hydrocarbon GDP	-3.1	1.3	2.9	7.6	5.5	4.2

Sources: Federal Competitiveness and Statistics Centre for 2023, CBUAE for 2024-28.
Note: F=forecast

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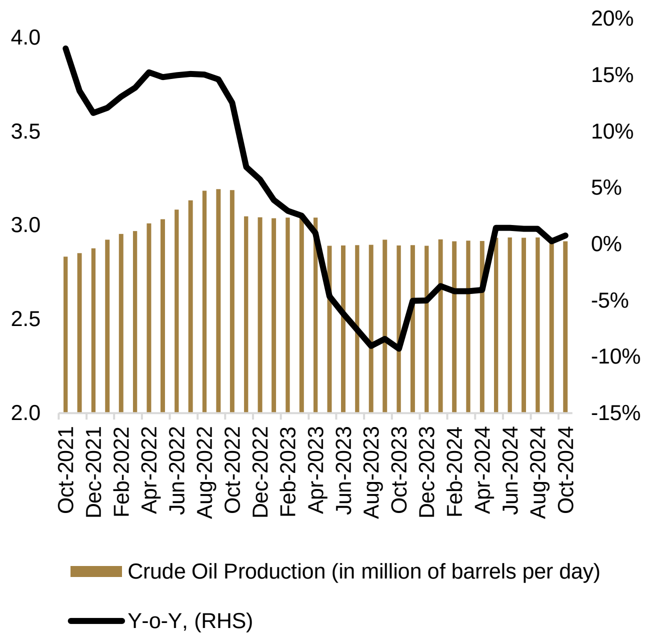
Figure 2.1 UAE Crude Oil Production



Source: Organization of Petroleum Exporting Countries.

Non-Hydrocarbon GDP

Non-hydrocarbon GDP growth accelerated to 4.8% Y-o-Y in Q2 2024, up from 4.0% Y-o-Y in the previous quarter, mainly due to the faster growth in manufacturing, trade, transportation and storage, and real estate activities. Non-hydrocarbon GDP growth is expected to remain strong at 4.9% in 2024 and 5.0% in 2025, resulting mainly from the strategic plans and policies implemented by the government to attract foreign investments and promote economic diversification. The CBUAE expects robust but slightly lower non-hydrocarbon output growth to continue from 2026 to 2028.

Hydrocarbon GDP

In the first 10 months of 2024, oil production averaged 2.9 million barrels per day, marking a 1.0% decline compared to the same period a year ago. Meanwhile, oil production is expected to remain at this level until the end of 2024. Gas production declined by 0.4% Y-o-Y in Q3 2024, following a 14.3% and 0.8% Y-o-Y growth in Q1 and Q2, respectively.

Based on the realised performance in 2024 and the OPEC+ meeting decision on production in December 2024, the hydrocarbon sector is expected to grow by 1.3% in 2024 (3.2% growth in gas and non-oil hydrocarbons partially offset by a 0.6% decline in the oil production), followed by a further expansion by 2.9% in 2025.

Government Investment and Consumption

The UAE fiscal sector performance during the first half of 2024 remained robust, with notable improvements in government revenue and fiscal surplus compared to the same period in 2023. The fiscal surplus reached AED 65.7 billion, equivalent to 6.7% of GDP, representing a 38.8% increase from AED 47.4 billion (5.1% of GDP) recorded in H1 2023.

General government revenue in H1 2024 rose by 6.9% Y-o-Y to AED 263.9 billion, or 26.9% of GDP. This growth was primarily driven by a substantial 22.4% Y-o-Y increase in tax revenues despite a 17.6% Y-o-Y decline in other revenue streams. Tax revenues now constitute more than two-thirds of total government revenue, rising from 54.9% in H1 2022 to 59.5% in H1 2023 and further strengthening to 68.1% in H1 2024.

Government expenditure in the first six months of 2024 stood at AED 198.1 billion, or 20.2% of GDP, reflecting a slight 0.7% Y-o-Y decline. This reduction in spending was primarily attributed to a 24.8% Y-o-Y decrease in subsidies and a 59.7% Y-o-Y reduction in other expenses. However, these reductions were partially offset by increases in employee compensation and social benefits, which rose by 6.8% and 12.4% Y-o-Y, respectively.

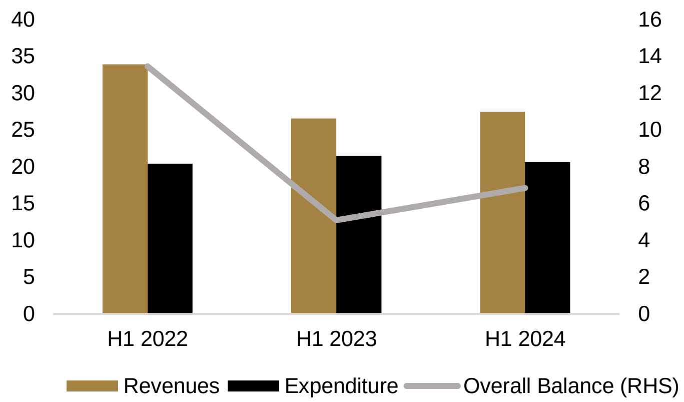
General government capital expenditure surged by 51.7% Y-o-Y to AED 11 billion in the first half of 2024, reflecting the UAE government's commitment to advancing large-scale infrastructure projects and strengthening the country's economic and investment landscape.

Private Investment and Consumption

Economic activity in the UAE's non-oil private sector continues to expand. In October 2024, the UAE's Purchasing Managers' Index (PMI) reached 54.1, reflecting sustained business confidence in the country's economic outlook. This optimism is fuelled by expectations of continued demand and sales, which are expected to support consistent growth in output. Furthermore, the forecast of upcoming initiatives and investments reinforces this positive outlook. In Dubai, the PMI stood at 53.2 in October 2024, aligning closely with the UAE's overall index and signalling continued growth within the emirate's non-oil private sector.

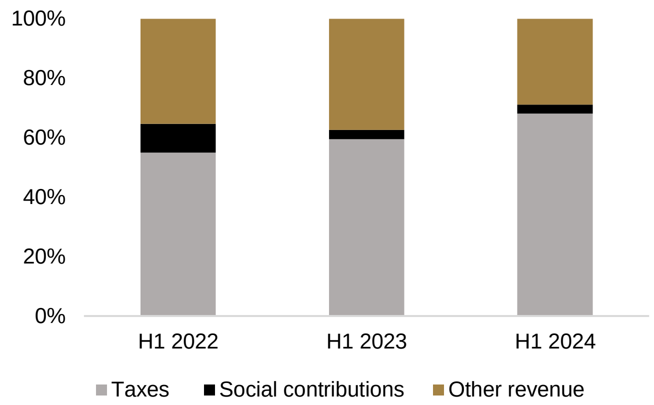
The number of employees covered by the CBUAE Wages Protection System (WPS)[2] increased by 4.0% Y-o-Y in September 2024, while the average employee salary increased by 7.2% Y-o-Y[3]. These indicators of employment and wage growth point to robust domestic consumption and sustainable GDP growth going forward.

Figure 2.2 Consolidated Fiscal Balance (% of GDP)



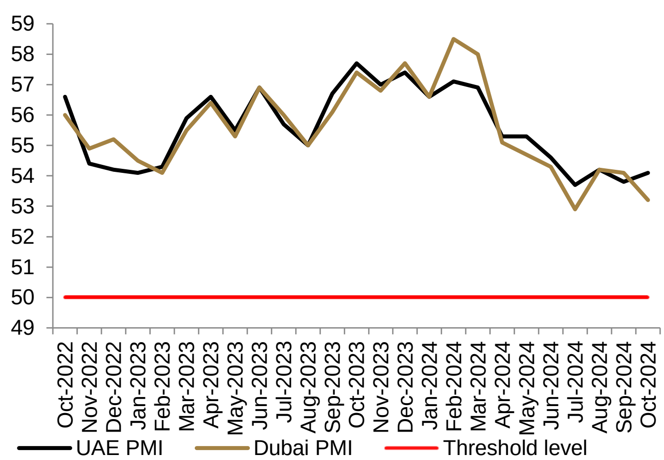
Sources: UAE Ministry of Finance; Federal Competitiveness and Statistics Centre; CBUAE.

Figure 2.3 UAE Fiscal Revenue Structure as a Share of Total Revenue



Sources: UAE Ministry of Finance and CBUAE.

Figure 2.4 UAE PMI (above 50 means expansion)



Source: S&P Global.

[2] Data as of 16 November 2024.

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

II.2. Sectoral Analysis

In the first 9 months of 2024, median residential sales and rent prices increased in both Abu Dhabi and Dubai with a more pronounced growth in the latter

Dubai welcomed 13.3 million overnight visitors YTD in September 2024, with an increase of 7% compared to the previous year

UAE's airports experienced a 12.6% increase in passenger traffic YTD in August 2024

The 16 non-oil sectors continued their steady growth pattern in Q3 2024. Wholesale and retail trade, manufacturing and construction continued to be some of the backbones of the growth in the non-oil sector. In the wholesale and retail trade sector, the UAE continued signing CEPAs in Eastern Europe, Asia, Oceania and beyond further boosting trade volumes and number of transactions. The manufacturing sector, continued to attract more FDI, expanding in line with the different Emirates' and Federal strategies. The first nine months of 2024 saw strong growth in the construction sector, as witnessed by projects such as Dubai Creek Harbour, Ciel Tower and the Saadiyat Cultural District skyline.

Residential Real Estate

The UAE residential real estate market demonstrated majorly positive trends during the first nine months of 2024 compared to the same period in 2023.

The median sales price per square meter across all property types in Abu Dhabi showed a marginal increase of 0.3% Y-o-Y. Apartments saw a stronger performance with a 1.8% Y-o-Y price increase, driven primarily by the off-plan segment, which experienced a 6.4% Y-o-Y rise, while ready apartments grew by 0.6% Y-o-Y. Villas demonstrated growth trends: off-plan villas recorded a 3.4% Y-o-Y increase in median sales prices, while ready villas saw the highest price growth in Abu Dhabi at 14.3% Y-o-Y, reflecting strong demand.

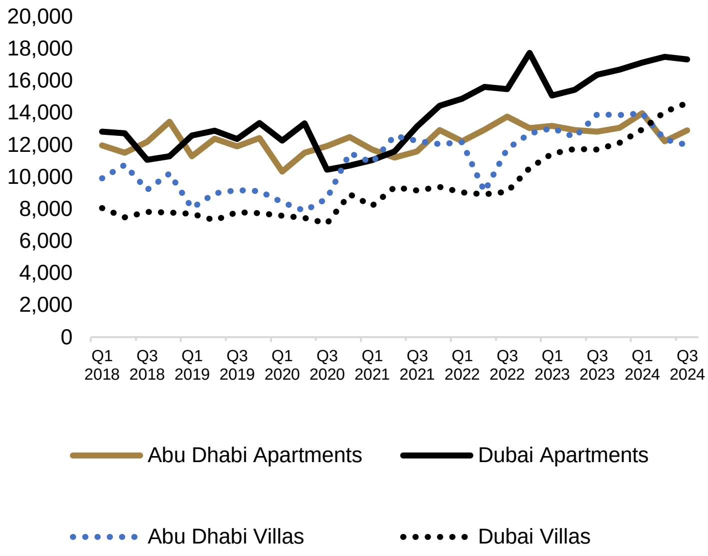
In Dubai, the total median sales price surged by 11.1% Y-o-Y, reflecting robust demand and a booming property market. Apartments experienced a 10.1% Y-o-Y increase, supported by an 8.1% Y-o-Y rise in the ready units segment, while off-plan apartments saw a slight dip of 0.6% Y-o-Y. Villas outperformed apartments, with total median prices increasing by 24.5% Y-o-Y, driven by significant growth in both the off-plan (22.4% Y-o-Y) and ready segments (23.2% Y-o-Y).

In terms of transactions, Dubai significantly outpaced Abu Dhabi, with a notable 34.3% Y-o-Y increase in sales transactions in Dubai compared to a 15.5% Y-o-Y decline in Abu Dhabi.

The data demonstrates the strength of Dubai's real estate market, with consistent growth in both off plan and ready property transactions across all segments, signalling investor confidence and sustained demand. The sharp rise in sales values, particularly in villas and units, combined with increasing mortgage activity, highlights a thriving market backed by strong fundamentals.

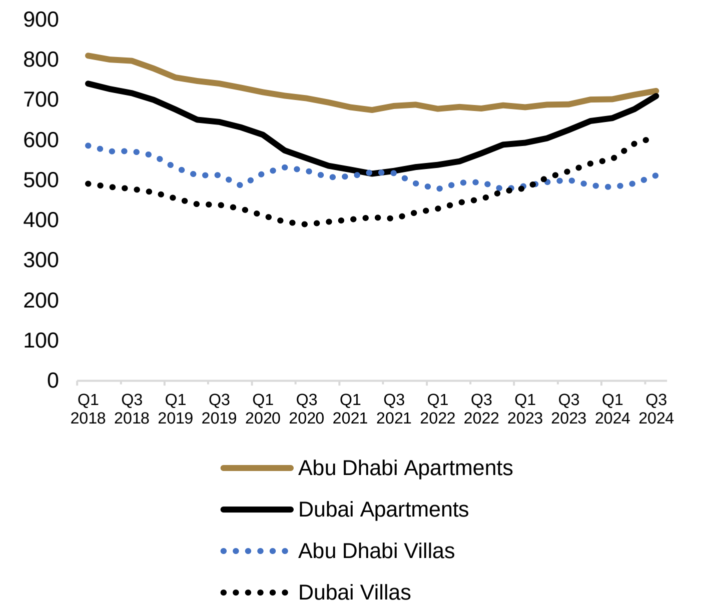
The rental market across the UAE showed consistent growth, with Dubai experiencing sharper increases than Abu Dhabi. Overall rents in Abu Dhabi increased by 4.2% Y-o-Y, driven primarily by apartments, which saw a 4.4% Y-o-Y increase. The increase was particularly notable in the new lease segment, where rents rose by 6.5% Y-o-Y.

Figure 2.5 Median Residential Sales Price, AED per SQM



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

Figure 2.6 Median Residential Rent, AED per SQM



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

In contrast, villas showed minimal growth at 0.4% Y-o-Y, with mixed trends: renewed villa leases grew by 1.3% Y-o-Y, while new villa rents declined by 3.9% Y-o-Y.

The rental market in Dubai experienced significant growth, with an overall increase of 14.5% Y-o-Y in median rents. Apartments dominated this growth, with rents rising by 14.2% Y-o-Y, driven by new leases, which surged by 25% Y-o-Y, while rent renewals prices grew by 10.3% Y-o-Y. Villas also showed strong performance, with a 19.9% Y-o-Y increase in median rents. New villa leases rose by 20.4% Y-o-Y, while renewals grew by 15.8% Y-o-Y.

Tourism and Hospitality

During the first nine months of 2024, Dubai reinforced its position as a top global tourism centre. Hotel occupancy averaged 76.4%, a slight increase from 75.7% compared to the same period last year. The average visitor remained almost unchanged at 3.6 nights, yet there was a notable 3% Y-o-Y growth in total occupied room nights, reaching 31.3 million.

Dubai also recorded 13.3 million overnight visitors in YTD September 2024, reflecting a 7% rise from the previous year. This sustained growth highlights the strong tourism industry, drives direct revenue and also creates positive secondary effects across hospitality, retail, and transportation sectors. Dubai's expanding visitor numbers are expected to significantly support non-oil GDP growth in the coming period,

Transportation

In the first eight months of this year, national airlines in the UAE conducted 4,807 flights each week on average. UAE is home to 10 airports, and these airports handled over 97.9 million travellers during this period, marking a 12.6% increase from the same period last year.

As of September 2024, Abu Dhabi Airports reported notable growth in passenger traffic, reaching 21.7 million travellers across its airports. This figure represents a significant 31.2% rise from the 16.5 million passengers recorded during the same period in 2023. The growth trend continued in the third quarter, with 7.7 million passengers, reflecting a 27% increase compared to Q3 2023. This surge highlights Abu Dhabi's increasing appeal as a key hub for leisure and business travellers, especially during the busy summer season.

The number of passengers passing through Dubai International Airport in the first nine months of this year reached 68.6 million, reflecting a 6.3% increase compared to the same period last year. In Q3 2024, the airport delivered a strong performance, handling 23.7 million passengers and over 111,300 flights. This brought the total number of flights in the first nine months to 327,700, marking a 6.4% Y-o-Y growth.

The increase in passenger traffic underscores the UAE's importance as a global aviation centre and plays a key role in supporting the national economy. This expansion in the aviation sector enables growth across several sectors, such as tourism and trade, while contributing to the employment and UAE's economic diversification. The robust performance and extensive global footprint of the UAE's national airlines reflect the country's strategic efforts to strengthen its position in the international aviation landscape.

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

Categories	Establishment Nos.	Total Available Rooms [Supply]	Average Occupancy
2024 September	826 Establishments	152,048	76.4%
	1%		2%
2023 September	815 Establishments	148,809	75.7%

Source: Dubai Department of Economy and Tourism.

II.3. Inflation

The CBUAE revised its inflation projections downwards for the UAE for 2024 and 2025 at 1.8% and 2.0%, respectively	In Q3 2024, headline inflation in the UAE decelerated to 1.5% Y-o-Y, mainly due to the decrease in prices in the transport category	Non-tradeables continue to be the main source of inflation in the UAE.

Inflation Outlook

The CBUAE revised its UAE inflation[4] forecast for 2024 downward from 2.2% to 1.8%, reflecting developments in prices and lower-than-expected realised inflation year-to-date. In 2025, inflation is expected to reach around 2.0%, driven mainly by non-tradeable components of the consumer basket, partially offset by moderating energy prices. In 2026, inflation is expected to accelerate slightly to 2.1% due to potential global inflationary pressures.

Inflation Drivers in the UAE

UAE's headline inflation decreased significantly in Q3 2024 compared to the previous quarter, remaining below the global average. According to the Federal Competitiveness and Statistics Centre, the average headline consumer inflation dropped to 1.5% Y-o-Y in the third quarter of 2024.

In Q3 2024, prices in most categories increased except transportation, communications, furniture and household goods, and tobacco. The significant slowdown in the increase of tradeable prices by 0.7% Y-o-Y, which represents 31.4% of the basket, was the primary factor curbing headline inflation. Additionally, the 2.0% slowdown in non-tradeable prices further contributed to lower inflation in the reporting period.

Transportation prices, which declined by 3.6% Y-o-Y, were the main factor behind the drop in headline inflation from 2.3% Y-o-Y in Q2 2024 to 1.5% in Q3 2024.

The prices of the housing group of the basket (including rent, water, electricity, gas, and other fuels, which represent 35.1% of the consumer basket) slightly increased, averaging 3.2% Y-o-Y in Q3 2024 compared to 3.1% Y-o-Y in the second quarter. Growth of rent prices was slower in Abu Dhabi.

For the second largest group in the consumer basket – food and beverages, inflation picked up in Q3 2024 to an average of 2.3% Y-o-Y, up from 1.5% in Q2 2024. This trend aligns with international food prices, as reflected in the Food and Agriculture Organization November release, which shows the Food Price Index reaching its highest level in 18 months in October 2024. However, the deflationary effects of the prices of non-food goods components of the basket outweighed the inflationary developments of the food and beverage prices.

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

	Weights	Q1 2024	Q2 2024	Q3 2024
All Items	100.0	1.9	2.3	1.5
Non-tradeable	68.6	2.0	2.4	2.0
Tradeable	31.4	1.8	1.9	0.7
Housing, water, electricity and gas	35.1	3.2	3.1	3.2
Transportation	12.7	-0.7	3.3	-3.6
Food and beverages	12.0	2.4	1.5	2.3
Education	7.6	2.9	2.4	2.2
Communications	5.9	-0.4	-0.5	-1.1
Textiles, Clothing and Footwear	5.2	3.4	2.9	2.8
Furniture and Household Goods	5.1	1.9	0.0	-0.9
Miscellaneous Goods and Services	4.9	2.2	2.0	3.3
Restaurants and Hotels	4.6	1.0	0.7	0.2
Recreation and Culture	3.1	-3.0	0.7	6.1
Medical Care	2.2	2.0	2.0	0.2
Insurance and Financial Services	1.3	5.2	5.1	5.8
Tobacco	0.2	-1.6	-1.3	-1.8

Source: Federal Competitiveness & Statistics Centre.

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

Chapter 3

Monetary and Financial Markets Developments

III.1. Money Supply and Interest Rates

Monetary aggregates M1, M2 and M3 grew in Q3 2024 by 12.7%, 17.9% and 15.7% Y-o-Y, respectively

CBUAE decided to cut the base rate by 25 bps in November 2024 to 4.65%

DONIA remained below the Base Rate, but the gap narrowed in Q3 2024, reflecting tighter system-wide excess reserves

Monetary Aggregates

Money supply continued to grow rapidly. M1 rose by 12.7% Y-o-Y to AED 896 billion at the end of September 2024.[5] This reflects a 17.2% Y-o-Y increase in Currency in Circulation Outside Banks (14.3% of M1) in addition to a 12.0% increase in Monetary Deposits (85.7% of M1). M2 increased by 17.9% Y-o-Y to AED 2,250 billion, due to a large increase in quasi-monetary deposits (60.2% of M2) by 21.6% Y-o-Y.[6,7] M3[8] grew by 15.7% Y-o-Y, reaching AED 2,720 billion, reflecting a 6.1% increase in Government Deposits in addition to the growth in M2.

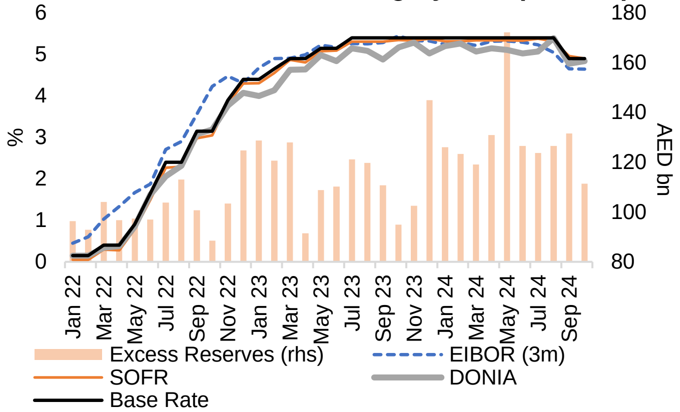
Interest Rates

In line with the US Federal Reserve's Interest Rate on Reserve Balances (IORB), the CBUAE cut its key policy rate (Base Rate) by 50 bps in September to 4.9%, followed by a further cut of 25 bps in November to 4.65%. Overnight interbank rates continued to track below the Base Rate. The Dirham Overnight Interest Average (DONIA) rate averaged around 15 basis points (bps) below the Base Rate, down from around 31 bps in the prior quarter. The narrowing spread reflected tighter system-wide excess reserves on average through the quarter due to the increase of minimum reserve requirements for demand deposits in June.

Growth in the CBUAE balance sheet continued throughout the quarter. Higher M-Bills issuance absorbed a large part of net capital inflows. Against the backdrop of higher government deposits at the CBUAE, the Aggregate Balance [9] at quarter's end increased only slightly, indicating a marginally positive monetary impulse.

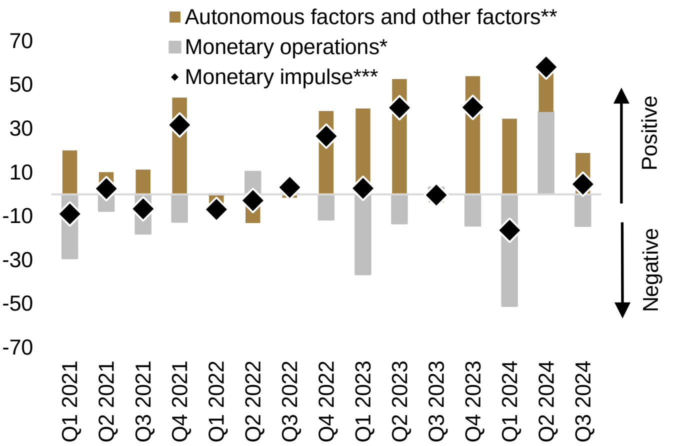
The M-Bills yield curve shifted downwards, reacting to the change in the US monetary policy stance. The expected rate path of US monetary policy declined in the quarter as markets began to price gradual easing due to cooling macroeconomic data. There was a larger decrease in the long-end of the curve, which is more impacted by these changing expectations. The outstanding volume of M-Bills increased to AED 200.0 billion at the end of September, up from AED 186.2 billion at the end of June.

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



Sources: Bloomberg, CBUAE

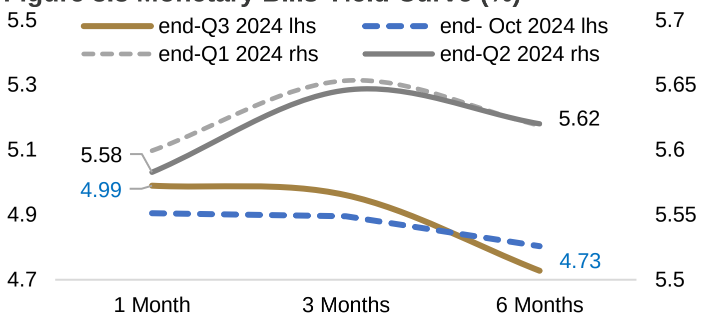
Figure 3.2 Monetary Impulse (AED bn)



Source: CBUAE

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

Figure 3.3 Monetary Bills Yield Curve (%)



Source: CBUAE

[5] M1 consists of monetary deposits and currency in circulation outside banks.
[6] M2 is equal to M1 plus quasi-monetary deposits.
[7] Quasi-monetary deposits include resident time deposits in AED and all types of foreign currency deposits.
[8] M3 is equal to M2 plus government deposits at the CBUAE and commercial banks.
[9] The Aggregate Balance is defined as banks' funds placed in their Reserve Accounts and the Overnight Deposit Facility at closure of the payments system.

III.2. Banking Developments

Overall banking system lending grew by 9.1% Y-o-Y, primarily driven by lending to retail and corporate sectors

The credit sentiment survey reflected a positive credit sentiment of households and businesses

Strong deposit growth of 14.1% Y-o-Y, supported the continued favourable funding and liquidity conditions

Banking System Assets and Structure

The UAE banking sector's total assets increased to AED 4,402 billion by the end of Q3 2024, expanding by 11.4% Y-o-Y. The number of licensed banks in the UAE remained unchanged at 61, comprising 23 UAE national banks and 38 branches of foreign banks operating in the UAE.

Banking System Credit and Deposits

The UAE banking system's lending portfolio continued to grow by 9.1% Y-o-Y. Domestic lending, which grew by 6.9% Y-o-Y to AED 1,860 billion, was the key driver of the total loan growth. Within the domestic loan portfolio, retail, private corporate and GREs loans were the main contributors to the total credit growth. Domestic retail credit expansion remained broad-based across mortgages, personal loans, and car loans.

Credit growth remained supported by positive credit sentiment and ample lending capacity with the loan-to-deposit ratio at 78.3%. Liquidity and funding conditions also stayed favourable, driven by sustained strong deposit growth. The UAE banking system's deposits grew by 14.1% Y-o-Y, with resident retail and private corporate deposits contributing significantly, increasing by 16.4% and 20.5% Y-o-Y, respectively.

The CBUAE Credit Sentiment Survey

Credit conditions remain robust. Despite a softening in business credit conditions in Q3 2024, loan demand continues to be high compared to historical levels. Financial institutions are willing to offer business credit but at a slower pace while risk tolerance continues to positively impact lending appetite. Personal loan supply and demand were solid across all loan categories, supported by economic conditions and income growth. Credit conditions are likely to remain favourable, reflecting the positive economic outlook, ample liquidity, and lower interest rates."

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

	Q3 2023	Q4 2023	Q1 2024	Q2 2024	Q3 2024
Total Assets	**3,952**	**4,071**	**4,255**	**4,310**	**4,402**
(Y-o-Y change)	10.3%	11.0%	13.0%	11.3%	11.4%
Gross Credit	**1,982**	**1,991**	**2,047**	**2,101**	**2,162**
(Y-o-Y change)	5.8%	6.0%	8.0%	8.0%	9.1%
Domestic Credit	**1,740**	**1,738**	**1,777**	**1,816**	**1,860**
(Y-o-Y change)	5.1%	5.3%	6.1%	5.8%	6.9%
Government	213	184	188	191	194
(Y-o-Y change)	0.0%	-13.0%	-12.8%	-12.9%	-9.0%
GREs	280	293	298	302	304
(Y-o-Y change)	9.7%	15.5%	21.4%	14.4%	8.4%
Private Sector	1,236	1,240	1,272	1,306	1,346
(Y-o-Y change)	5.3%	5.8%	6.0%	6.9%	8.9%
Retail	408	418	431	451	473
(Y-o-Y change)	10.7%	11.5%	12.1%	13.9%	16.0%
Wholesale	828	822	842	856	873
(Y-o-Y change)	2.9%	3.0%	3.2%	3.6%	5.4%
NBFIs	11	21	18	17	17
(Y-o-Y change)	-18.5%	59.7%	44.9%	38.2%	50.9%
Foreign Credit	**241**	**254**	**270**	**285**	**302**
(Y-o-Y change)	10.7%	11.0%	21.8%	25.0%	25.1%

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

Table 3.2 Total Deposits at UAE Banks (AED billions)

	Q3 2023	Q4 2023	Q1 2024	Q2 2024	Q3 2024
Bank Deposits	**2,421**	**2,522**	**2,657**	**2,693**	**2,761**
(Y-o-Y change)	10.7%	13.5%	15.2%	13.0%	14.1%
Resident Deposits	**2,231**	**2,320**	**2,436**	**2,471**	**2,548**
(Y-o-Y change)	13.9%	15.4%	16.4%	13.8%	14.2%
Government Sector	**423**	**402**	**420**	**420**	**417**
(Y-o-Y change)	5.4%	1.2%	3.3%	-1.4%	-1.5%
GREs	**231**	**224**	**249**	**238**	**259**
(Y-o-Y change)	-0.5%	3.4%	16.2%	11.0%	12.1%
Private Sector	**1,525**	**1,630**	**1,713**	**1,765**	**1,812**
(Y-o-Y change)	19.6%	20.8%	20.4%	19.1%	18.8%
Retail	**628**	**653**	**693**	**718**	**731**
(Y-o-Y change)	17.1%	16.7%	15.3%	16.2%	16.3%
Wholesale	**896**	**977**	**1,020**	**1,047**	**1,081**
(Y-o-Y change)	21.4%	23.7%	24.2%	21.2%	20.5%
NBFIs	**51**	**64**	**54**	**48**	**60**
(Y-o-Y change)	3.9%	37.4%	9.9%	-2.6%	16.7%
Non-Resident Deposits	**190**	**202**	**221**	**222**	**213**
(Y-o-Y change)	-16.8%	-4.9%	3.6%	5.1%	12.3%

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

III.3. Financial Developments

The UAE banking system remained resilient, as shown by the loan-to-deposit ratio which reached 78.3%

In Q3 2024, share prices in Dubai rose by 6.4% Y-o-Y and fell in Abu Dhabi by 4.5% Y-o-Y

CDS premiums for Abu Dhabi and Dubai further fell, mainly as a result of strong fundamentals

Financial Soundness Indicators

The overall capital ratios of the UAE banking system remained adequate, well above the minimum requirement. The Capital Adequacy Ratio (CAR) increased by 0.1 percentage points, reaching 18.6% compared to a year ago, while the Common Equity Tier-1 (CET-1) ratio declined slightly by 0.2 percentage points to 15.5%.

Funding and liquidity levels of the UAE banking system remained favourable in Q3 2024, bolstered by robust deposits growth of 14.1% year-on-year. The loan-to-deposit ratio reached 78.3%, reflecting greater deposit growth relative to loan growth. In addition, Eligible Liquid Asset Ratio (ELAR) grew to 21.1%.

The UAE banking system's asset quality ratios continued to improve, aided by a reduction in the stock of non-performing loans. As a result, the Non-Performing Loans Ratio declined to 5.2%, a decrease of 1.4 percentage points compared to a year ago.

Equity Markets

The Abu Dhabi Securities Market General Index (ADX) fell by 4.5% Y-o-Y in Q3 2024, a smaller decline than in the previous quarter of the same year. Market capitalisation recovered to an average of AED 2.86 trillion, driven by a rise in share prices of some major companies, which constitute 25% of the total freely tradeable shares. The Dubai Financial Market (DFM) General Index rose by 6.4% Y-o-Y in the third quarter of 2024. Market capitalisation rose to an average of AED 733 billion, attributed to the rise in share prices during this period.

Credit Default Swaps (CDS)

The CDS for the government of Abu Dhabi fell from 40.9 bps in Q2 2024 to 39.8 bps in Q3 2024. The Abu Dhabi CDS level continues to remain very low, a testament to its dynamic economy, strong fiscal position and large sovereign wealth funds. Abu Dhabi continues to have one of the lowest CDS premiums in the Middle East and Africa region. Dubai's CDS also fell from 65.3 bps in Q2 to 62 bps in Q3 2024, showing improvements in its CDS premiums.

Table 3.3 UAE Financial Soundness Indicators

Indicators	Q3 2023	Q4 2023	Q1 2024	Q2 2024	Q3 2024
Capital Adequacy					
Capital Adequacy Ratio	18.5%	17.9%	18.0%	18.3%	18.6%
Tier 1 Capital Ratio	17.4%	16.6%	16.7%	17.0%	17.2%
Common Equity Tier 1 Ratio	15.6%	14.9%	15.0%	15.3%	15.5%
Liquidity and Funding					
Advances to Stable Resources Ratio"	76.5%	73.9%	72.4%	72.6%	72.9%
Net Stable Funding Ratio**	111.7%	111.6%	113.8%	114.4%	112.3%
Loan-to-deposit Ratio	81.9%	79.0%	77.0%	78.0%	78.3%
Eligible Liquid Assets Ratio	19.1%	20.4%	20.3%	20.6%	21.2%
Liquidity Coverage Ratio *	151.0%	160.8%	165.1%	159.2%	153.1%
Asset Quality					
Net Non-Performing Loans Ratio***	2.7%	2.4%	2.3%	2.3%	2.3%
Non-Performing Loans Ratio****	6.6%	5.9%	5.6%	5.4%	5.2%

Source: CBUAE
Notes: Data as of end of period.
* Liquidity Coverage Ratio and Net Stable Funding Ratio apply to five approved banks.
** The Net Non-Performing Loans Ratio excludes specific provisions and provides a better indicator of asset quality, taking into account the provisioning levels in the UAE banking system.
*** For the methodology of the NPL ratio and the Net NPL ratio reporting, see CBUAE (2019): Central Bank of the UAE Enhances its Reporting of Non-performing Loans.

Table 3.4 UAE Equity Markets

			Q3-2023	Q4-2023	Q1-2024	Q2-2024	Q3-2024
Abu Dhabi Securities Market	**Share Price Index***	**Y-o-Y**	0.3%	-8.6%	-3.8%	-6.1%	-4.5%
	Market Capitalisation*	**AED bn.**	2,842	2,883	2,865	2,754	2,860
		Y-o-Y	35.1%	12.0%	10.5%	-0.01%	0.60%
	Traded Value**	**AED bn.**	71	66	67	60	77
		Y-o-Y	-19.5%	-29.0%	-21.5%	-5.9%	9.3%
Dubai Financial Market	**Share Price Index***	**Y-o-Y**	21.6%	19.4%	25.4%	11.5%	6.4%
	Market Capitalisation*	**AED bn.**	690	672	723	686	733
		Y-o-Y	21.6%	16.3%	22.8%	8.7%	6.3%
	Traded Value**	**AED bn.**	31	22	24	22	24
		Y-o-Y	56.1%	7.9%	27.5%	-18.4%	-21.3%

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

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

	2023				2024		
	Q1*	**Q2***	**Q3***	**Q4***	**Q1***	**Q2***	**Q3***
Abu Dhabi	43.1	40.2	36.0	44.4	39.9	40.9	39.8
Dubai	78.0	80.8	69.6	71.4	65.3	65.3	62.0

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

III.4. Insurance Sector Developments

In Q3 2024, gross written premiums, number of insurance policies and gross paid claims increased by 20.9%, 55.2%, and 29.4%, respectively

Total investment assets and total assets showed an increase in Q3 2024

The insurance sector remained well capitalised in Q3 2024, with healthy capital adequacy and return on average assets

Insurance Sector Structure and Activity

The UAE insurance sector continued to grow in Q3 2024 in terms of gross written premiums. The number of licensed insurance companies in the UAE is 59, comprising 23 traditional and 10 takaful national companies, 25 branches of foreign insurance companies operating in the UAE and one branch of a foreign reinsurance company operating in the UAE. The number of insurance-related professions remained unchanged at 498.

In the Q3 of 2024, the gross written premiums increased by (20.9%) Y-o-Y to AED 50.8 billion, primarily due to an increase in property and liability insurance premiums by (25.9%) Y-o-Y, health insurance premiums by (21.4%) Y-o-Y, and the insurance of persons and fund accumulation premiums by (3.8%) Y-o-Y. This growth resulted primarily from an increase in group life insurance premiums.

Gross paid claims of all types of insurance plans increased by (29.4%) Y-o-Y to AED 29.9 billion in Q3 2024. This growth was driven mainly by the rise in claims paid in property and liability insurance by (66.7%) Y-o-Y, claims paid in health insurance by (14.6%), and (30%) increase in insurance of persons and fund accumulation.

In Q3 2024, the total technical provisions[10] of all types of insurance increased by (29.6%) Y-o-Y to AED 97.2 billion. The volume of invested assets, which mainly diversified in Equity and debt securities, cash and deposits, real estate, other instruments that are (A) Rated, and other invested assets in the insurance sector, amounted to AED 83.2 billion (52.1% of total assets) compared to AED 74.4 billion (56.5% of total assets) during the same period in 2023. The retention ratio[11] of written insurance premiums for all types of insurance was 53.8% (AED 27.3 billion) in Q3 2024, compared to 52.5% (AED 22.1 billion) a year earlier.

Insurance Soundness Indicators

The UAE insurance sector remained well-capitalised. With regard to the various capital adequacy ratios, the own funds[12] to Minimum Capital Requirement ratio increased to 389.2% in Q3 2024, compared to 349.8% in Q3 2023; the own funds to Solvency Capital Requirement ratio reached 198.5% in Q3 2024 compared to 207.3% in Q3 2023, as a result of a decrease in own funds eligible to meet solvency capital requirements; and the own funds to Minimum Guarantee Fund ratio was 288.9% in Q3 2024 compared to 310.6% in Q3 2023.

In terms of profitability, the net total profit to net written premiums reached 7.1% in Q3 2024. The return on average assets decreased to 0.5% in Q3 2024 compared to 0.6% in Q3 of the previous year.

Table 3.6 Key Indicators of the Insurance Sector (AED billions)

Description	2023				2024*		
	Q1	H1	Q1-Q3	Full Year	Q1	H1	Q1-Q3
1- Gross Written Premiums	**17.8**	**27.2**	**42.0**	**53.4**	**21.0**	**35.7**	**50.8**
• Property & Liability	6.5	9.9	16.6	20.8	7.9	13.8	20.9
• Health Insurance	9.3	14.0	20.1	25.9	11.3	18.3	24.4
• Persons and Fund Accumulation	2.0	3.3	5.3	6.7	1.8	3.6	5.5
2- Gross Claims Paid	**7.1**	**14.1**	**23.1**	**31.6**	**9.3**	**18.9**	**29.9**
• Property & Liability	1.7	3.9	5.7	7.5	2.6	5.7	9.5
• Health Insurance	4.9	9.2	14.4	20.0	5.2	10.7	16.5
• Persons and Fund Accumulation	0.5	1.0	3.0	4.1	1.5	2.5	3.9
3- Technical Provisions	**73.7**	**76.7**	**75.0**	**76.3**	**84.3**	**94.2**	**97.2**
4- Total Invested Assets	**70.5**	**72.9**	**74.4**	**77.2**	**78.5**	**78.7**	**83.2**
5- Total Assets	**128.3**	**127.7**	**131.6**	**130.3**	**146.4**	**154.8**	**159.6**
6- Total Equity	**26.3**	**27.0**	**27.9**	**28.0**	**28.6**	**28.0**	**30.1**

Source: CBUAE.
Notes: * Preliminary data, cumulative at end of period

Table 3.7 Insurance Soundness Indicators (%)

Description	2023				2024*		
	Q1	H1	Q1-Q3	Full Year	Q1	H1	Q1-Q3
1- Reinsurance ratio							
Retention ratio	53.2	53.8	52.5	53.9	53.0	53.1	53.8
2- Capital Adequacy Ratios							
Own funds to Minimum Capital Requirement (MCR)	340.6	352.4	349.8	364.2	365.8	376.0	389.2
Own Funds to Solvency Capital Requirement (SCR)	198.0	203.4	207.3	217.1	193.8	185.8	198.5
Own Funds to Minimum Guarantee Fund (MGF)	309.3	308.9	310.6	309.4	297.5	286.7	288.9
3- Earnings Ratios							
Net total profit to net written premiums	7.8	10.4	12.1	8.8	7.6	6.0	7.1
Return on average assets	0.5	0.5	0.6	0.35	0.6	0.7	0.5

Source: CBUAE.
Notes: *Estimated data.

[10] 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.

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

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

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