MONTHLY ECONOMIC



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May 2025



Key Highlights

- Dubai's inflation eased to 2.79% y/y in March 2025 from 3.15% y/y in February 2025 due to the fall in transport, and food and beverage prices.
- On April 9, 2025, President Donald Trump announced a 90-
- day pause of the import tariffs for most nations, except China and reduced them down to a flat 10%. However, Chinese imports face 145% tariff from the U.S.
- With the U.S imposing baseline tariffs of 10% on UAE, its prime

geographical location and port infrastructure position the country as a prime re-export destination in the near term.



Key Economic Indicators

Monthly economic indicators	Feb- 24	Mar- 24	Apr- 24	May- 24	Jun- 24	Jul- 24	Aug- 24	Sep- 24	Oct- 24	Nov- 24	Dec- 24	Jan- 25	Feb- 25	Mar- 25	Apr- 25	2025e
Interest rates (UAE Policy rate)	5.4%	5.4%	5.4%	5.4%	5.4%	5.4%	5.4%	4.9%	4.9%	4.65%	4.4%	4.4%	4.4%	4.4%	4.4%	3.9%
Credit growth, y/y	6.1%	8.0%	8.8%	7.8%	8.0%	8.4%	8.2%	9.1%	10.2%	8.5%	9.5%	9.5%	-	-	-	-
Deposit growth, y/y	16.3%	15.2%	15.6%	11.3%	13.0%	14.3%	14.0%	14.1%	14.1%	14.7%	12.9%	11.8%		-	-	-
IHS Markit, PMI Composite	57.1	56.9	55.3	55.3	54.6	53.7	54.2	53.8	54.1	54.2	55.4	55.0	55.0	54.0	-	-
Dubai inflation, y/y change	3.36%	3.34%	3.91%	3.81%	3.85%	3.32%	3.38%	2.50%	2.38%	3.01%	2.89%	3.15%	3.15%	2.79%	-	-
Abu Dhabi inflation, y/y change	0.6%	0.4%	0.6%	1.3%	1.4%	1.1%	0.3%	-0.3%	-0.8%	-0.1%	0.3%	0.2%	0.8%	-	-	-
Dubai General Index (DFMGI)	3.4%	-1.5%	-2.1%	-4.3%	1.3%	5.9%	1.3%	4.1%	1.9%	5.6%	6.4%	0.4%	2.6%	-4.2%	4.1%	-
FTSE ADX General Index	-2.7%	-0.3%	-1.7%	-2.3%	2.2%	3.1%	-0.6%	1.5%	-1.0%	-1.0%	2.0%	1.8%	-0.2%	-2.0%	1.8%	-

Source: LSEG Workspace, Abu Dhabi Statistics Centre, CBUAE, Dubai Statistics Centre, FOMC March Projections

- The UAE non-oil private sector activity moderated in March 2025 as the seasonally adjusted S&P PMI stood at 54.0, marking the slowest pace of growth since September. New order growth slowed for the third consecutive month, with the new orders index falling to 56.3 in March from 57.3 the previous month. Despite the slowdown, businesses increased their input purchases at the fastest rate
- since July 2019, aiming to clear backlogs of work.
- Inflation in Dubai slowed to 2.79% y/y in March compared to 3.15% y/y in February driven by a decline in transportation and food and beverage costs. Transport costs, with a weightage of 9.32% in the index, fell by 3.34% y/y in the month compared to a 0.85% y/y decline in the previous month. Food and beverages prices (weightage of 12% in the index) fell by 0.31% y/y
- compared to 0.24% y/y in the previous month. Housing, water, electricity, gas component of the index, the largest component by weight (40%) recorded an increase of 7.16% y/y during the month compared to 7.36% y/y during January.
- Inflation in Abu Dhabi accelerated at 0.8% y/y in February compared to 0.2% y/y in January on the back of an increase in housing costs. Housing, water, electricity, and gas components of the

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index with the weightage of 33% of the index rose by 2.1% y/y during the month compared to 1.0% y/y in the previous month. The pace of decline in the transport costs slowed down, with transport costs declining by 2.4% y/y compared to 5.1% y/y decline in the previous month.

 According to the FOMC Projections released in March 2025, the majority of the FOMC participants expect the U.S Fed Funds range at 3.75-4.0% by the end of 2025, indicating a 50- bps rate cut during the year. CBUAE is likely to mirror the interest rate moves of the U.S Fed owing to the currency peg, with expected policy rate at 3.9% by the end of 2025.

 The Central Bank of the United Arab Emirates (CBUAE) has announced its intention to issue a retail central bank digital currency (CBDC) – a digital dirham – during the final quarter of 2025. The CBUAE has also developed an integrated platform for the issuance, circulation and use of the CBDC, the 'Digital Dirham Wallet'.

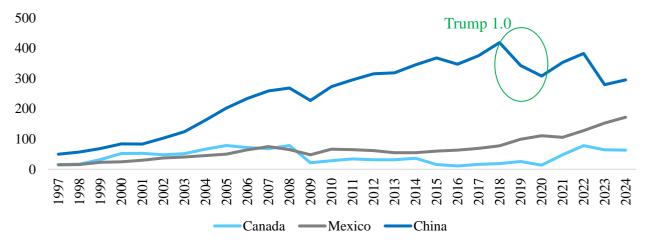


Global Trade Update

- On April 9, 2025, U.S
 President Donald Trump
 announced a 90-day pause on
 the 'reciprocal tariffs'
 imposed by the U.S on all
 countries except China.
 During the period of pause,
 baseline tariffs of 10% were
 imposed on all countries.
- U.S. has imposed tariffs of 145% on China while China has hit back with reciprocal tariffs of 125% on U.S. products.
- U.S has targeted particularly countries like China, Mexico and Canada with tariffs due to the large trade deficit of
- the U.S with these countries and they make up
- nearly half of U.S trade. U.S imported USD 463 billion worth of goods from China in 2024, with electrical machinery and equipment accounting for 27.5% of the imports from China.¹



Trade Deficit of U.S with targeted countries (USD Billion)



Source: U.S Census

¹ ITC Trade Map

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- On April 12th, President
 Donald Trump exempted
 smartphones, computers, and
 other tech devices and
 components from his
 reciprocal tariffs. The
 products are exempt from the
 125% tariff imposed on
 Chinese imports and the 10%
 baseline tariff on imports
 from other countries. A 20%
 tariff on all Chinese goods
 remains in effect.
- On April 26, U.S. President Trump claimed that tariff negotiations were underway with China, however, Beijing

- denied any talks were taking place, leading to conflicting signals over de-escalation in trade war between the U.S and China.
- The volume of global merchandise trade is likely to fall by 0.2% in 2025 due to tariffs by U.S President Donald Trump, according to World Trade Organization's forecast. The decline is expected to be particularly steep in North America, where exports are forecast to drop by 12.6%.
- The U.S. economy has begun to experience the impact of tariff wars, with U.S economic growth forecasts being reduced to 1.8% in 2025 by IMF in its April World Economic Outlook from 2.7% projection in January. As companies start to lay off due to the fall in demand, the unemployment rate is likely to increase. Fewer imports into the U.S. are likely to put upward pressure on prices and lead to a spike in core inflation.



UAE Trade Update

- UAE recorded total foreign trade of AED 5.23 trillion (USD 1.424 trillion) in 2024, a 49% increase from AED 3.5 trillion (USD 949 billion) in 2021 with a trade surplus of AED 492.3 billion in 2024 according to the World Trade Organization.
- In the World Turkish Business Council meeting held in UAE on April 7, 2025, UAE
 and Turkey business leaders discussed on expanding the cooperation opportunities
 with the aim of reaching a bilateral trade volume target of USD 40 billion within five
 years from signing CEPA in 2023.
- On April 10, the European Union and UAE agreed to launch free trade talks. The
 pact is likely to reduce trade tariffs and barriers. Trade in goods and services, with
 investments in renewable energy, green hydrogen and raw materials were to be
 discussed. The EU is the UAE's second-largest trading partner, accounting for 8.3%
 of UAE's total non-oil trade, according to WAM.
- UAE-India bilateral trade reached over USD 85 billion in 2024 supported by the Comprehensive Economic Partnership Agreement (CEPA). Dubai Multi Commodities Centre (DMCC), a key driver of global trade flow through Dubai announced that over 260 Indian companies joined its international business district in the past 12 months, increasing 7% y/y and accounting for 16% of DMCC's total member base, according to Zawya.



Spotlight: UAE Trade Opportunities and U.S Tariffs

- UAE's strategic geographic location and strong port connectivity, combined with the baseline 10% tariffs imposed by the U.S, are expected to enhance the country's re-export activity. As of the first nine months of 2024, the UAE represented only 0.06% of U.S. textile imports, while China and
- Vietnam remained the top two exporters to the U.S. With higher tariffs applied to these countries, there is potential for an increase in textile re-exports through the UAE to bypass these tariffs.
- Countries such as China, India and European Union that entail higher import duties than UAE could intend

to establish manufacturing or assembly units in the UAE, especially the freezones to provide a value addition to the goods and account them as re-exports from UAE. The re-exports from the UAE would entail the tariff rate of UAE or 10%.

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Sector-wise presence of Indian/Chinese companies in the freezone

	Industrials	Basic Materials	Consumer Cyclicals	Consumer non-cyclicals	Healthcare	Energy	Technology	Total
Jebel Ali Free Zone	12	9	5	3	2	3	2	36
SAIF Zone	3	2	9	4	4	3	-	25
Hamriyah Free Zone	6	9	2	1	1	2	-	21
DAFZ Industrial Park	4	-	6	3	2	3	-	18
RAK Economic Zone	3	3	2	1	1	1	-	11
Ajman Free Zone	2	3	2	1	-	-	-	8
Fujairah Free Zone	4	2	-	-	-	1	-	7
Others	3	3	3	-	4	2	1	16
Total	37	31	29	13	14	15	3	142

Source: Refinitiv, Various; Note: SAIF Zone - Sharjah Airport International Free Zone; DAFZ Industrial Park - Dubai Airport Free Zone; RAK - Ras Al Khaimah Economic Zone

- Transshipment activity in UAE is likely to remain stable due to the strategic location advantage and port infrastructure compared to other countries in the Middle East. Ports such as Jebel Ali, Khor Fakkan, Fujairah and Sharjah operate efficiently due to the adoption of the latest technologies. However, the new tariffs by U.S are expected to have no potential positive impact for transshipments unless specific value addition is made to the product within UAE.
- Pharmaceutical products are currently exempt from import duties by the U.S. UAE's exports and re-exports put together constitute less than 1% of U.S'

- total pharma trade in 9M 2024. The U.S tariffs are likely to have no impact on UAE's pharma trade
- Aluminum is one of the major commodities manufactured and exported by UAE with AED 19 billion exports in 9M 2024, out of which the U.S constituted 16%. The U.S has levied a flat 25% tariff on commodity irrespective of the importing country and it has also been exempted from the country-specific tariffs. Despite the potential for the UAE to ramp up its exports, there is unlikely to be any surge in demand arising due to the impact of tariffs.
- Precious metal, textiles, logistics and manufacturing present

- potential for higher demand for trade financing in the UAE due to the expected rise in re-exports and strong demand for UAE's freezones.
- UAE is emerging as a global trade hub for precious stones with an overall trade of AED 677 billion in 9M 2024. UAE's geographical position between Europe, Asia, and Africa has made it a crucial trading hub for precious metals. Among the major exporters of precious stones to the U.S, UAE faces the lowest tariff rate (10%). With only 0.4% share of USA's imports in 2024, the scope for UAE to improve its precious stones exports to U.S is high.

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