

NEWSLETTER

June 2025



Key Highlights

- Inflation in Dubai eased to 2.31% y/y in April 2025 compared to 2.79% y/y in the previous month driven by the decline in transport costs and easing housing prices.
- On May 26, 2025, U.S. President Donald Trump postponed his plans to impose 50% tariffs on EU imports, granting an extension until July 9, 2025, to give Washington and the European Union more time to finalize a trade agreement.
- The UAE and the U.S have signed investment agreements for over USD 200 billion during May 2025, bringing the cumulative value of investment deals of the U.S across the Gulf region to more than USD 2 trillion.



Key Economic Indicators

Monthly economic indicators	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	May-25	2025e
Interest rates (UAE Policy rate)	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%	4.4%	3.9%
Credit growth, y/y	8.0%	8.8%	7.8%	8.0%	8.4%	8.2%	9.1%	10.2%	8.5%	9.5%	9.5%	9.5%	-	-	-	
Deposit growth, y/y	15.2%	15.6%	11.3%	13.0%	14.3%	14.0%	14.1%	14.1%	14.7%	12.9%	11.8%	10.2%	-	-	-	
IHS Markit, PMI Composite	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	54.0	-	-
Dubai inflation, y/y change	3.34%	3.91%	3.81%	3.85%	3.32%	3.38%	2.50%	2.38%	3.01%	2.89%	3.22%	3.15%	2.79%	2.31%	-	-
Abu Dhabi inflation, y/y change	0.4%	0.6%	1.3%	1.4%	1.1%	0.3%	-0.3%	-0.8%	-0.1%	0.3%	0.2%	0.8%	0.1%	-0.1%	-	-
Dubai General Index (DFMGI)	-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%	3.3%	-
FTSE ADX General Index	-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%	1.6%	-

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

- The UAE non-oil private sector activity remained stable in April 2025 as the seasonally adjusted S&P PMI stood at 54.0. New orders expanded at a faster pace, driven by new export orders. Overall input costs increased in April owing to higher raw materials and transport costs.
- In the FOMC meeting held during May 2025, the U.S FED decided to keep the interest rates steady at the 4.25% to 4.5% range. In line with the interest rate moves of the U.S Fed, the Central Bank of the United Arab Emirates (CBUAE) decided to keep its policy rates steady at 4.40% in May 2025.
- Consumer price inflation in Dubai eased to 2.31% y/y in April 2025 compared to 2.79% y/y in the previous month, driven by a sharp decline in transportation costs. Transport costs fell by 7.64% y/y in the month compared to 3.34% y/y decline in the previous month. Housing, water, electricity, gas component of the index, the largest component by weight (40%) registered an increase of 7.02% y/y during the month compared to 7.16% y/y during March.
- According to CBUAE's regulations on personal loans, banks in UAE were planning to increase the minimum balance requirement for current accounts from AED 3,000 to AED 5,000 effective from June 1, 2025.
- However, on May 27th, 2025, the CBUAE sent out a notice to all licensed financial institutions (LFIs) in UAE, notifying them about postponing an increase in minimum balance amount from AED 3,000 to AED 5,000. The Central Bank intends to study

the impact of this decision on the labor market.



Global Trade Update

- The U.S-UK trade deal on May 8th, 2025, resulted in Britain lowering its tariffs on U.S goods to 1.8% from 5.1% while the U.S maintained its 10% tariffs. The trade deal between U.S and UK created a USD 5 billion opportunity for exports by U.S producers including more than USD 700 million in ethanol exports and USD 250 million in agricultural products, like beef.
- U.S and China decided to temporarily suspend the high tariff rates imposed on each other's goods for a period of 90 days to provide time for negotiation. The U.S. tariffs on Chinese goods remains at 30% while China's tariffs on U.S goods were reduced to 10%.
- On May 23rd, 2025, U.S President Donald Trump announced implementing 50% tariff on European Union (EU) with effect from June 1, 2025. However, on May 26th, 2025, the President agreed to extend the deadline until July 9 for a trade deal.
- On May 28th, 2025, a panel of three judges at the U.S. Court of International Trade called the global tariffs illegal. However, on May 29th, a U.S appeals court delayed the blocking of tariffs. This has reinstated the tariffs for the time being, while a case over their legality continues.
- Moody's downgraded the U.S. sovereign rating to Aa1 from AAA, citing rising deficits and interest costs. The U.S has accumulated USD 36 trillion debt, equivalent to 122% of GDP. Moody's forecasts the U.S fiscal deficit to reach 9% of the GDP by 2035.



UAE Trade Update

- On May 28, the UAE and EU officially launched negotiations for a trade deal. There was an investment roundtable with the officials from UAE and EU and private sector representatives to explore opportunities and boost investment flows between the EU and the UAE. The initial phase of negotiations is likely to focus on reducing tariffs, facilitating digital trade and investment flows.
- During the Kimberley Process Intersessional Meeting held at DMCC in Dubai during May, UAE introduced a new digital platform, Verifico to enhance traceability and security within the global diamond trade. Verifico aims to digitise the Kimberley Process certification system, to ensure that only conflict-free diamonds enter the market.
- China approached the UAE for a possible bilateral free trade deal, according to UAE's Trade minister after an announcement of the launch of EU-UAE talks for a similar agreement, as reported by Al Arabiya.
- The UAE's Jebel Ali Free Zone (Jafza) witnessed a 40% y/y increase in trade volume and a 17% y/y increase in trade value from India in 2024, according to DP World.
- Roughly, more than 2,300 Indian companies operate from Jafza over sectors including electronics, construction, food, chemicals, and logistics. In 2024, 283 new Indian companies started operation in Jafza, marking a 15% y/y increase in new registrations.



Spotlight: UAE-U.S Trade deals

- U.S. President Trump announced over USD 200 billion in commercial agreements between the U.S and UAE, raising the total value of investment deals across the Gulf region to more than USD 2 trillion.
- As per the White House, Boeing and GE Aerospace secured USD 14.5 billion investment from Etihad Airways to invest in 28 U.S-made Boeing 787 and 777X aircraft.
- Emirates Global Aluminium plans to invest in a USD 4 billion primary aluminum smelter project in Oklahoma—one of the first new aluminum smelters built in the U.S. in 45 years.
- ExxonMobil, Occidental Petroleum, and EOG Resources are collaborating with the Abu Dhabi National Oil Company (ADNOC) on a USD 60 billion initiative to expand oil and natural gas production. This partnership aims to reduce energy costs and create skilled jobs in both UAE and U.S.
- Holtec International and IHC Industrial Holding Company (IHC) are partnering to develop a fleet of Holtec's SMR-300 small modular reactors. The agreement involves an initial investment commitment of USD 10 billion, with an additional USD 20 billion allocated for future fleet expansion projects.
- The deals signed are likely to strengthen the UAE's investment commitment of USD 1.4 trillion in U.S in 10 years that was signed in March 2025.



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