

# NEWSLETTER

August 2025



## Key Highlights

- On July 31<sup>st</sup>, 2025, the Trump administration issued a revised list of tariff rates for countries where deals were not finalized, which is set to go into effect on August 7<sup>th</sup>, 2025.
- During the US FED FOMC meeting held on July 28<sup>th</sup> and 29<sup>th</sup>, 2025, the committee decided to maintain interest rates at current levels, amidst uncertainty over the impact of reciprocal tariffs.
- The UAE's non-oil foreign trade reached a historic AED 1.7 trillion in H1 2025, marking a significant 24% y/y growth compared to H1 2024.
- In July 2025, the UAE engaged in the first round of Free Trade Agreement (FTA) negotiations with the European Union (EU) and fostered economic collaborations with India and Cuba. UAE also signed a CEPA with Azerbaijan, with the total number of CEPAs successfully established reaching 28.
- Inflation in Dubai remained stable at 2.37% y/y in June 2025 compared to the previous month, as a higher growth of food and transport costs were offset by a slower growth in housing prices.



## Key Economic Indicators

| Monthly economic indicators      | Jun-24 | Jul-24 | Aug-24 | Sep-24 | Oct-24 | Nov-24 | Dec-24 | Jan-25 | Feb-25 | Mar-25 | Apr-25 | May-25 | Jun-25 | Jul-25 | 2025e | 2026f |
|----------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|-------|-------|
| Interest rates (UAE Policy rate) | 5.4%   | 5.4%   | 5.4%   | 4.9%   | 4.9%   | 4.65%  | 4.4%   | 4.4%   | 4.4%   | 4.4%   | 4.4%   | 4.4%   | 4.4%   | 4.4%   | 3.9%  | 3.6%  |
| Credit growth, y/y               | 8.0%   | 8.4%   | 8.2%   | 9.1%   | 10.2%  | 8.5%   | 9.5%   | 9.5%   | 9.5%   | 9.4%   | 9.5%   | -      | -      | -      | 10%   | -     |
| Deposit growth, y/y              | 13.0%  | 14.3%  | 14.0%  | 14.1%  | 14.1%  | 14.7%  | 12.9%  | 11.8%  | 10.2%  | 10.5%  | 9.1%   | -      | -      | -      | -     | -     |
| IHS Markit, PMI Composite        | 54.6   | 53.7   | 54.2   | 53.8   | 54.1   | 54.2   | 55.4   | 55.0   | 55.0   | 54.0   | 54.0   | 53.3   | 53.5   | -      | -     | -     |
| Dubai inflation, y/y change      | 3.85%  | 3.32%  | 3.38%  | 2.50%  | 2.38%  | 3.01%  | 2.89%  | 3.22%  | 3.15%  | 2.79%  | 2.31%  | 2.37%  | 2.37%  | -      | -     | -     |
| Abu Dhabi inflation, y/y change  | 1.4%   | 1.1%   | 0.3%   | -0.3%  | -0.8%  | -0.1%  | 0.3%   | 0.2%   | 0.8%   | 0.1%   | -0.1%  | -0.6%  | -0.7%  | -      | -     | -     |
| Dubai General Index (DFMGI)      | 1.3%   | 5.9%   | 1.3%   | 4.1%   | 1.9%   | 5.6%   | 6.4%   | 0.4%   | 2.6%   | -4.2%  | 4.1%   | 3.3%   | 4.1%   | 7.9%   | -     | -     |
| FTSE ADX General Index           | 2.2%   | 3.1%   | -0.6%  | 1.5%   | -1.0%  | -1.0%  | 2.0%   | 1.8%   | -0.2%  | -2.0%  | 1.8%   | 1.6%   | 2.8%   | 4.1%   | -     | -     |

Source: LSEG Workspace, Abu Dhabi Statistics Centre, CBUAE, Dubai Statistics Centre, FOMC June Projections, S&P Global. Note: e-Estimate; f-Forecast.

- The UAE non-oil private sector witnessed a slow growth in June 2025 compared to December 2024, with the seasonally adjusted S&P PMI at 53.5. Businesses reported a slowdown of orders on the demand side due to the conflict between Israel and Iran. However, firms used this as an opportunity to clear backlogs in orders, resulting in a slight uptick in PMI when compared to the previous month.
- In July 2025, during its FOMC meeting, the U.S. Federal Reserve maintained its interest rates within the 4.25% to 4.5% range. Following this decision, the Central Bank of the United Arab Emirates (CBUAE) also decided to keep its policy rates steady at 4.40%.
- Consumer price inflation (CPI) in Dubai remained stable at 2.37% y/y in June 2025 compared to the previous month, as a higher growth of food (11.7% weight) and transport costs (9.3% weight) were offset by a slower growth in housing, water, electricity, gas

component (40.7% weight).

- CBUAE's Financial Stability Council held its first meeting of 2025 in July. Key outcomes included the establishment of a Technical Advisory Committee to oversee technical matters related to

financial stability and approval for formation of three working groups - Digital Innovation, Non-Bank Financial Intermediation and Data Development.

- To support its Financial Infrastructure Transformation (FIT)

program, CBUAE launched two strategic joint ventures in July 2025 with Presight, an AI and big data analytics company, and Mercury, a digital payment solution provider.



## Economic and Trade strength of the UAE

- The UAE's non-oil foreign trade reached a historic AED 1.7 trillion in H1 2025, marking a significant 24% y/y growth compared to H1 2024. This figure is an increase of 37.8% and 59.5% compared to the same period in 2023 and 2022 respectively.
- Non-oil exports were the primary driver, reaching AED 369.5 billion, a remarkable 44.7% y/y increase from H1 2024. This marks a historical first for the country.
- Key destinations for UAE's non-oil exports during H1 2025 included Switzerland, followed by India, Turkey, and Hong Kong-China.
- Among the top 10 recipients of the UAE's non-oil exports, Comprehensive Economic Partnership Agreement (CEPA) program partners accounted for AED 85.02 billion, demonstrating a 62.8% growth compared to the same period in 2024 and representing a 23% share of the UAE's non-oil exports.
- The CEPA program is a crucial pillar of the UAE's foreign trade agenda, with the strategic goal of increasing non-oil foreign trade to AED 4 trillion by 2031.
- However, the Trump administration's 50% tariffs on metals like aluminum and steel could dampen the UAE's non-oil trade to the U.S., with aluminum being a significant component of UAE's non-oil exports to the U.S.



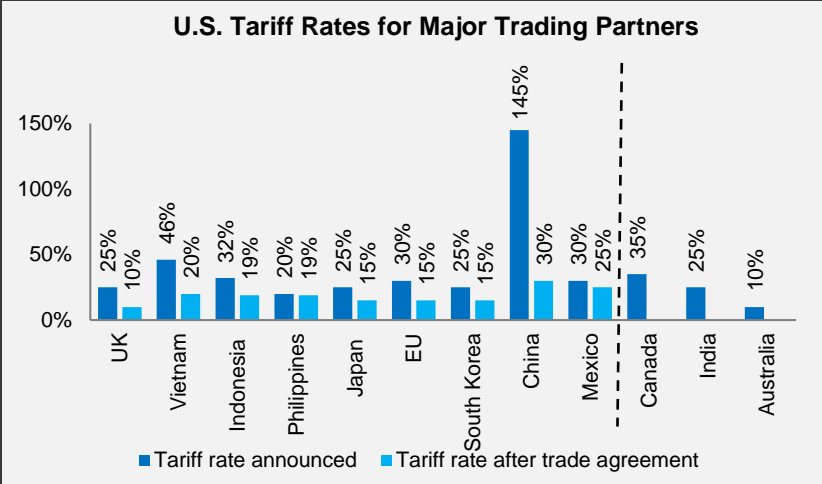
## UAE Trade Update

- **UAE & EU FTA:** Between June 24<sup>th</sup> and July 9<sup>th</sup> 2025, the UAE and the European Union (EU) successfully concluded the first round of negotiations for an EU-UAE Free Trade Agreement (FTA). The negotiations centered on crucial areas of tariff reduction for goods, digital trade, and investment flows. The FTA also aims to boost trade in key sectors like renewable energy, green hydrogen, and critical raw materials.
- **UAE & Azerbaijan CEPA:** On July 9<sup>th</sup> 2025, the UAE signed a Comprehensive Economic Partnership Agreement (CEPA) with Azerbaijan. The agreement aims to boost joint economic growth and diversification by fostering increased investment flows and unlocking opportunities across vital sectors like renewable energy, tourism, logistics, and construction services.
- **UAE & India Collaboration:** H.E. Abdulla bin Touq Al Marri, Minister of Economy and Tourism met with Indian delegations to explore avenues for enhancing economic and industrial collaboration. He noted that in H1 2025, 22,415 new Indian companies entered the UAE market, a 10% increase compared to the same period in 2024.
- **UAE-Cuba Relations:** The countries held the first session of their Joint Economic Committee to improve collaboration on trade, investment, infrastructure, agriculture, and food security.
- **Intellectual Property Protection:** H.E. Bin Touq Al Marri participated in the World Intellectual Property Organization (WIPO) meeting in Geneva and met with officials from Singapore, Estonia, Spain and Japan on strengthening cooperation in intellectual property protection applications. UAE also signed two Memoranda of Understanding (MoUs) with Spain and Morocco to strengthen the development of UAE's intellectual property system.



# Spotlight: Tariff Reversals and Deals

- The Trump administration's reciprocal tariff policy, initiated on "Liberation Day" April 2<sup>nd</sup>, 2025, with a repeatedly extended deadline which was set to expire on August 1<sup>st</sup>, 2025, aimed to make countries sign bilateral trade agreements more favorable to the U.S.
- However, on July 31<sup>st</sup>, 2025, the Trump administration issued a revised list of tariff rates for countries where deals were not finalized, which is set to go into effect on August 7<sup>th</sup>, 2025.
- The strategy included fluctuating tariff rates, beginning with high rates that were sometimes lowered or paused, and in other instances like India, increased, due to geopolitical considerations alongside reciprocal tariffs.
- Over the past four months, seven trade deals have been successfully concluded with some of the major trading partners. The UK secured the first agreement in May, while the remaining six countries, including the EU, finalized their deals in July, just ahead of the August 1<sup>st</sup> deadline. Talks are in progress with China and Mexico received a 90-day extension on July 31<sup>st</sup> to finalize a deal.
- However, key trading partners such as Canada, India, and Australia are yet to reach an agreement. Despite extensive negotiations, no deal has been finalized with Canada. India was on the verge of concluding an agreement, but its ongoing trade relations with Russia has derailed the progress with the U.S., leading to an announced 25% tariff plus an unspecified penalty.
- Despite the current global policy uncertainty, the IMF in its July 2025 World Economic Outlook update, revised its global growth projections upwards to 3.0% for 2025 and 3.1% for 2026. This revision is due to factors like front-loading of trade activities in anticipation of tariffs, lower effective tariff rates after trade deals and improved global financial conditions.



Source: CNBC, data as of 31.07.2025



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