

# NEWSLETTER

September 2025



## Key Highlights

- On August 22<sup>nd</sup> 2025, Fed Chair Jerome Powell hinted at potential rate cut soon due to weakening labor market during the U.S. Federal Reserve's annual Jackson Hole Economic Symposium.
- UAE has established itself as a global commercial and financial hub, ranking second among emerging markets in FDI Confidence Index 2025 and ranking fifth globally in IMD World Competitiveness Ranking 2025.
- In August 2025, UAE actively expanded its international trade partnerships as the CEPA with New Zealand came into effect and talks for a new CEPA with Angola began.
- Inflation in Dubai increased to 2.88% y/y in July 2025 compared to 2.37% in the previous month, due to higher growth in transport and education costs.



## Key Economic Indicators

Monthly economic indicators	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	2025e	2026f
Interest rates (UAE Policy rate)	5.4%	4.9%	4.9%	4.65%	4.4%	4.4%	4.4%	4.4%	4.4%	4.4%	4.4%	4.4%	4.4%	3.9%	3.6%
Credit growth, y/y	8.2%	9.1%	10.2%	8.5%	9.5%	9.5%	9.5%	9.4%	9.5%	10.4%	-	-	-	10%	-
Deposit growth, y/y	14.0%	14.1%	14.1%	14.7%	12.9%	11.8%	10.2%	10.5%	9.1%	12.7%	-	-	-	-	-
IHS Markit, PMI Composite	54.2	53.8	54.1	54.2	55.4	55.0	55.0	54.0	54.0	53.3	53.5	52.9	-	-	-
Dubai inflation, y/y change	3.38%	2.50%	2.38%	3.01%	2.89%	3.22%	3.15%	2.79%	2.31%	2.37%	2.37%	2.88%	-	-	-
Abu Dhabi inflation, y/y change	0.3%	-0.3%	-0.8%	-0.1%	0.3%	0.2%	0.8%	0.1%	-0.1%	-0.6%	-0.7%	0.1%	-	-	-
Dubai General Index (DFMGI)	1.3%	4.1%	1.9%	5.6%	6.4%	0.4%	2.6%	-4.2%	4.1%	3.3%	4.1%	7.9%	-1.6%	-	-
FTSE ADX General Index	-0.6%	1.5%	-1.0%	-1.0%	2.0%	1.8%	-0.2%	-2.0%	1.8%	1.6%	2.8%	4.1%	-2.7%	-	-

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 the slowest growth in four years in July 2025, as the seasonally adjusted S&P PMI stood at 52.9. Slowdown in new business growth, regional tensions, weaker tourism activity and global trade disruptions were the major causes for the slowdown in the non-oil sector.
- On August 22<sup>nd</sup> 2025, during the U.S. Federal Reserve's annual Jackson Hole Economic Symposium, Fed Chair Jerome Powell hinted at a potential rate cut soon due to weakening labor market, noting that current interest rates are at restrictive levels.
- Consumer price inflation (CPI) in Dubai increased to 2.88% y/y in July 2025 compared to 2.37% in the previous month, due to sharp increase in transport cost to -3.4% in July from -7.4% in June and education costs rising to 2.6% in July from 2.4% in June, despite slower growth in housing, water, electricity, gas component (highest weight of 40.7%) and food and beverage costs.
- CBUAE has released a comprehensive report on its "Digital Dirham" project, detailing how the new central bank digital currency (CBDC) will be a secure, inclusive, and efficient digital alternative to physical money for a range of payments.



## UAE's attractiveness as a global business destination

- UAE has established itself as a global commercial and financial hub, with multiple companies opening offices and corporate headquarters in the country especially in Emirates like Dubai and Abu Dhabi.
- UAE ranked second among emerging markets in FDI Confidence Index released earlier this year and ranked fifth globally in IMD World Competitiveness Ranking released in June 2025.
- According to WAM, Indian and Pakistani companies are leading the way in setting up new businesses in Dubai. In H1 2025, a total of 9,038 new Indian companies joined the Dubai Chamber of Commerce, showing a 14.9% increase from the previous year. Pakistan followed with 4,281 new companies, an 8.1% rise. Egypt came in third, with 2,540 new companies joining the Chamber.
- Several major global companies have recently chosen the UAE to establish new headquarters. In 2025, PayPal opened its first MENA regional headquarters in Dubai, and Veon, a global telecommunications company, moved its worldwide headquarters to the city. Partners Group, a global private equity firm, established a new regional office in Abu Dhabi recently.
- UAE's appeal as a business hub is driven by its strategic location and advanced infrastructure, which connect it to global markets.
- The government has implemented numerous reforms to create a highly favorable business environment, including allowing 100% foreign ownership in certain sectors and simplifying business set-up procedures.
- UAE is actively diversifying its economy, focusing on innovation and advanced technologies. The country's high standard of living, political stability, and favorable tax policies make it an attractive destination for both global businesses and talent.



## UAE Trade Update

- **UAE & New Zealand CEPA:** Comprehensive Economic Partnership Agreement (CEPA) between the UAE and New Zealand came into effect in August 2025. This agreement is expected to boost annual bilateral trade to over USD 5 billion by 2032. The CEPA will considerably reduce tariffs, facilitate seamless customs procedures, and promote private sector collaboration in sectors like food production, education, renewable energy, and advanced technologies.
- **UAE & Angola CEPA:** The UAE is working with the Republic of Angola on a new CEPA. Non-oil bilateral trade between the two countries in H1 2025 stood at USD 1.4 billion. The CEPA is expected to increase the non-oil bilateral trade to over USD 10 billion annually by 2033, add USD 1 billion to the GDP of both countries and create close to 30,000 new jobs. The agreement will aim to expand trade in sectors like energy, infrastructure, mining, logistics, tourism, and healthcare.
- **Global SME Ministerial Meeting in South Africa:** UAE participated in the inaugural meeting, aiming to strengthen collaboration and knowledge exchange in areas like entrepreneurship, SMEs, green economy, finance, and digital transformation. The collaboration will be vital as SMEs form 95% of businesses in UAE and account for 86% of private sector employment.



## Spotlight: UAE Digital Banking Sector

- The UAE is at the forefront of the digital banking initiatives in the GCC region, driven by high internet penetration, changing customer needs for convenience, on-the-go financial solutions and supportive regulatory environment.
- The digital banking sector in UAE is projected to reach a market size of USD 175.7 billion by 2029, growing at a compounded annual growth rate of 4.8%, according to WAM.
- Both traditional banks and fintechs are participating in this trend by launching new digital arms or digital-only banks that cater to both wholesale and retail segments.
- Some digital banks in UAE offer fully online, simplified and streamlined onboarding process. Digital onboarding process takes as low as ten minutes for some banks.
- They also offer a wide range of products and services, including high-interest savings accounts, business accounts, credit cards, credit facilities, FX and transfers, digital asset custody and insurance and wealth management services, all at extremely low or no fees.
- Some digital banks also offer Shariah-compliant products, catering to the diverse needs of customers in the region.
- Digital Banks are also leveraging advanced technologies like Artificial Intelligence, Machine Learning and Blockchain to enhance customer experience, streamline operations, and improve fraud prevention.
- CBUAE's Open Finance Regulation provides access for cross-sectoral data sharing, which has enabled fintechs to offer innovative, competitive and personalised solutions.
- CBUAE is also supporting the start-up ecosystem by establishing the FinTech Office in 2020 and a regulatory sandbox for fintechs to test new and innovative products, aiming to build a fintech hub and solidify the UAE's position as a global leader in technological innovation.



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