MONTHLY ECONOMIC

NEWSLETTER

October 2025

Key Highlights

- On September 17th 2025, the U.S. Fed cut its policy rate by 25 bps to new target range of 4.00%-4.25%, citing weakening labor market.
- The CBUAE followed suit and cut its Base Rate by 25 bps, from 4.40% to 4.15%.
- While the UAE's non-oil private sector witnessed an improvement in business conditions with the S&P PMI rising to 53.3 in August 2025, this increase was primarily driven by existing backlogs rather than new demand.
- Inflation in Dubai eased to 2.43% y/y in August 2025 compared to 2.88% in the previous month, driven by softening of prices in housing and other fuel segment.
- UAE's construction industry is expected to reach USD 130.8 billion by 2029, growing at 4% per annum.

Key Economic Indicators

Monthly economic indicators	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	2025e	2026f
Interest rates (UAE Policy rate)	4.9%	4.9%	4.65%	4.4%	4.4%	4.4%	4.4%	4.4%	4.4%	4.4%	4.4%	4.4%	4.15%	3.6%	3.4%
Credit growth, y/y	9.1%	10.2%	8.5%	9.5%	9.5%	9.5%	9.4%	9.5%	10.4%	11.1%	12.6%	-	-	10%	-
Deposit growth, y/y	14.1%	14.1%	14.7%	12.9%	11.8%	10.2%	10.5%	9.1%	12.7%	13.1%	12.6%	-	-	-	-
IHS Markit, PMI Composite	53.8	54.1	54.2	55.4	55.0	55.0	54.0	54.0	53.3	53.5	52.9	53.3	-	-	-
Dubai inflation, y/y change	2.50%	2.38%	3.01%	2.89%	3.22%	3.15%	2.79%	2.31%	2.37%	2.37%	2.88%	2.43%	-	-	-
Abu Dhabi inflation, y/y change	-0.3%	-0.8%	-0.1%	0.3%	0.2%	0.8%	0.1%	-0.1%	-0.6%	-0.7%	0.1%	-0.5%	-	-	-
Dubai General Index (DFMGI)	4.1%	1.9%	5.6%	6.4%	0.4%	2.6%	-4.2%	4.1%	3.3%	4.1%	7.9%	-1.6%	-3.7%	-	-
FTSE ADX General Index	1.5%	-1.0%	-1.0%	2.0%	1.8%	-0.2%	-2.0%	1.8%	1.6%	2.8%	4.1%	-2.7%	-0.8%	-	-

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

- The seasonally adjusted S&P PMI increased in August 2025 to 53.3 from July's 49-month low of 52.9, signaling an improvement in business conditions of UAE's non-oil private sector. However, sales growth slowed to its lowest level since mid-2021, which indicates that the increase in output was driven by existing backlogs rather than new demand, suggesting a potential moderation in growth.
- On September 17th 2025, the U.S. Federal Reserve cut its policy rate by 25 bps for the first time this year, to new target range of 4.00%-4.25%, citing weakening labor market. However, Fed Officials cautioned against further rate cuts due to ongoing concerns over sticky inflation.
- Following the Fed's rate cut, the CBUAE also cut its Base Rate by 25 bps, from 4.40% to 4.15%.
- Consumer price inflation (CPI) in Dubai declined to 2.43% y/y in August 2025 compared to 2.88% in the previous month. This was primarily driven by Housing, water, electricity, gas and other fuels component (highest weight of 40.7%) inflation softening to 6.05% y/y in August compared to 6.37% in July.
- UAE's construction industry is expected to grow at 4% per annum to

reach USD 130.8 billion by 2029 from USD 107.2 billion in 2024, according to Knight Frank. Construction sector leads the UAE's development pipeline with 62% of future projects and within construction, mixed-use projects account for 42%.[1]

Impact of Tariffs and Opportunities for UAE

- The Trump administration implemented a 10% global "reciprocal tariff" in April 2025, with higher, country-specific tariffs targeting nations with large trade surpluses such as China, Canada, and Mexico.
- After multiple deadline revisions and finalization of trade deals with countries like UK, EU, Vietnam, Indonesia, etc. new tariff rates came into effect on August 7th, 2025.
- The new US tariff structure presents both challenges and opportunities for the UAE. While the UAE is subject to the 10% baseline US tariff, this rate is considerably lower than the higher duties imposed on nations like India (50% tariff in August) and China (30% tariff in August, currently under 90-day extension till November).
- Chinese and Indian businesses which have existing presence in the UAE, particularly those in sectors like metals, engineering goods, and pharmaceuticals, may partially shift their manufacturing or assembly processes to the UAE. This move is intended to secure a "Made in UAE" origin stamp and attract the lower 10% tariff.[2]
- India's jewelry exports to the US are expected to be hit heavily due to tariffs, but this provides an opportunity for the UAE to attract activities like cutting, polishing, or casting by UAE-based facilities.[3]
- The UAE's strategic geographical location, coupled with its advanced free zones and favorable trade and tax policies, makes it an increasingly attractive global hub. This allows the UAE to function as a consolidation point where global firms can streamline supply chains and bypass nations affected by high US tariffs.[4]

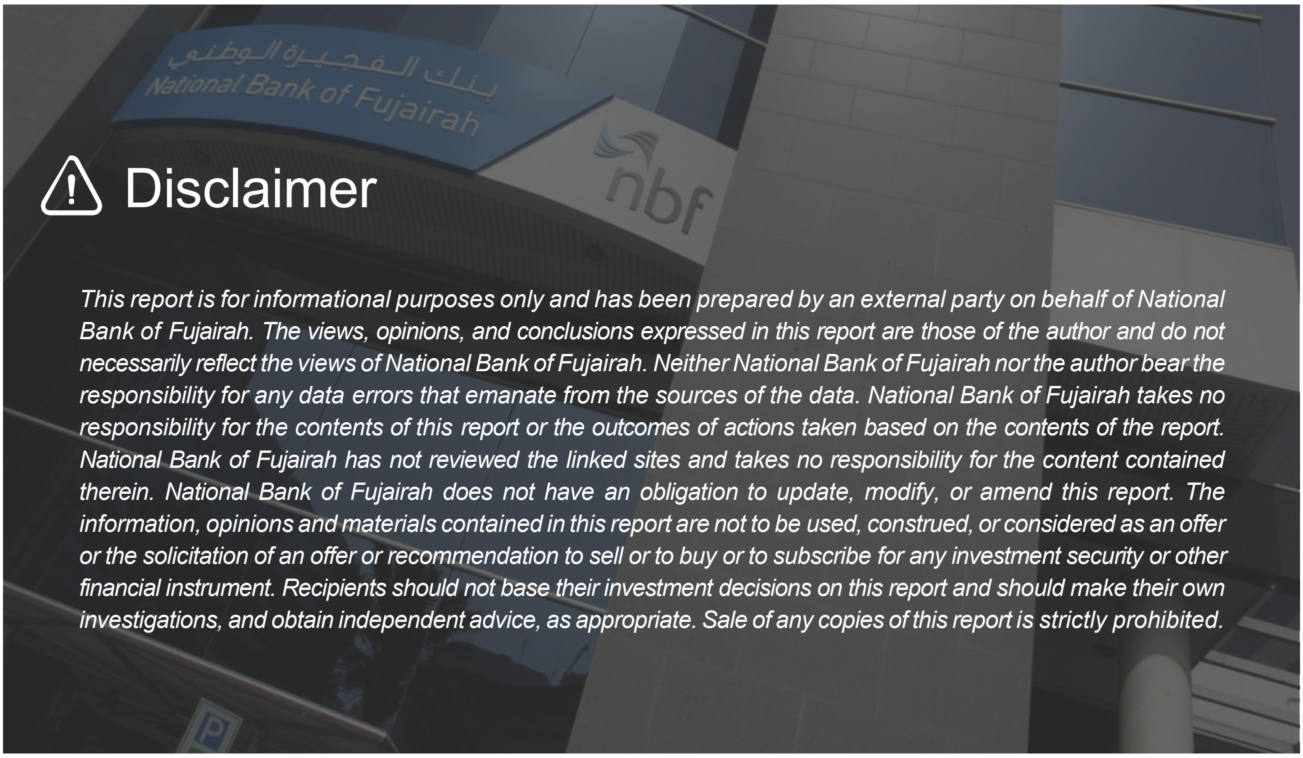
UAE Trade Update

- **UNGA80:** On the sidelines of the 80th session of the UN General Assembly in New York, H.H. Sheikh Abdullah bin Zayed Al Nahyan, Deputy Prime Minister and Minister of Foreign Affairs of the UAE met with several foreign ministers and discussed bilateral cooperation and strategic partnerships in areas such as trade, investment, education, food security, health, culture, artificial intelligence, advanced technology, renewable energy and climate.
- **Abu Dhabi–India Business Forum:** The meeting was attended by senior government and private-sector leaders, building on the Comprehensive Economic Partnership Agreement's (CEPA) to further enhance bilateral relations across sectors. Notably, Abu Dhabi's non-oil trade with India grew by 13.7% y/y in 2023 and 94% y/y in 2024, according to WAM.
- **UAE-Europe partnership:** In September 2025, UAE delegations visited Belgium to strengthen bilateral cooperation in energy, water, and sustainability, and traveled to Finland to discuss new partnerships in AI, semiconductors, and space innovation.
- **Collaboration in new economy sectors:** H.E. Abdulla bin Touq Al Marri, Minister of Economy and Tourism met with Chinese and South Korean delegations, to discuss the advancement of economic and investment relations between the countries, in areas such as tourism, technology, healthcare, etc. Chinese business licenses in UAE neared 16,500 by July 2025 (18% growth from July 2024) and South Korean tourist arrivals saw a 41.5% y/y surge in 2024.

[1] Zawya
[2] Gulf News
[3] Finance Middle East
[4] Middle East Briefing

Spotlight: Future of Banking

- The future of banking for the next generation of customers, particularly in the UAE, will be defined by hyper-personalization and a seamless, 'phygital' experience.
- The UAE has a high internet penetration of over 99% and high mobile banking adoption, as evidenced by 62% of 18–24-year-olds regularly using mobile banking, according to a 2024 survey by global management consulting firm Arthur D. Little. Hence, the future of the banking industry depends on a digitally-native operating model that also integrates human expertise and trust to manage complex customer needs.
- Globally, the next generation of customers are increasingly contributing to retail banking revenues and servicing their needs will drive the future revenues of banks.
- The shift to the future involves adopting a “super-app” based model, moving beyond digital banking to integrating seamlessly with non-banking lifestyle services like entertainment, e-commerce and payments, making banks a central part of the customer's daily digital life.
- The demand for on-the-go, quick, and seamless interactions translate to instant P2P payments, immediate issue resolution via AI-powered chatbots and real-time fraud alerts.
- To address changing preferences of young customers, banks, especially digital banks, are incorporating gamified savings and reward programs, custom spend dashboards, easy access to crypto and engaging financial literacy tools to keep young customers engaged.
- Generative AI and data analytics are being used to offer customized app interfaces, tailored financial advice, and individual look-and-feel for virtual cards.
- However, banking for the next-generation of customers will include issues like low retention due to low switching costs, which will force banks to constantly innovate their value proposition to maintain loyalty.



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