

# NEWSLETTER

December 2025



## Key Highlights

- On 23<sup>rd</sup> November 2025, Dubai's largest-ever government budget cycle was approved, covering the fiscal period from 2026 to 2028 with total expenditures forecasted at AED 302.7 billion. Notably, 48% of total expenditure was allocated to infrastructure investments.
- CBUAE executed its first-ever cross-border payment using central bank digital currency (CBDC) between the UAE and China in November 2025. UAE's CEPA program progressed well in November 2025, as the CEPA with Chile came into effect and negotiations for a CEPA with South Korea neared its final stages.
- Inflation in Dubai rose to 3.36% y/y in October 2025 from 2.88% in September, marking the fastest pace of annual growth since August 2024.



## Key Economic Indicators

Monthly economic indicators	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	2025e	2026f
Interest rates (UAE Policy rate)	4.65%	4.4%	4.4%	4.4%	4.4%	4.4%	4.4%	4.4%	4.4%	4.4%	4.15%	3.9%	3.9%	3.6%	3.4%
Credit growth, y/y	8.5%	9.5%	9.5%	9.5%	9.4%	9.5%	10.4%	11.1%	12.6%	14.4%	14.7%	-	-	10%	-
Deposit growth, y/y	14.7%	12.9%	11.8%	10.2%	10.5%	9.1%	12.7%	13.1%	12.6%	14.2%	15.4%	-	-	-	-
IHS Markit, PMI Composite	54.2	55.4	55.0	55.0	54.0	54.0	53.3	53.5	52.9	53.3	54.2	53.8	-	-	-
Dubai inflation, y/y change	3.01%	2.89%	3.22%	3.15%	2.79%	2.31%	2.37%	2.37%	2.88%	2.43%	2.88%	3.36%	-	-	-
Abu Dhabi inflation, y/y change	-0.1%	0.3%	0.2%	0.8%	0.1%	-0.1%	-0.6%	-0.7%	0.1%	-0.5%	0.2%	-	-	-	-
Dubai General Index (DFMGI)	5.6%	6.4%	0.4%	2.6%	-4.2%	4.1%	3.3%	4.1%	7.9%	-1.6%	-3.7%	3.8%	-3.7%	-	-
FTSE ADX General Index	-1.0%	2.0%	1.8%	-0.2%	-2.0%	1.8%	1.6%	2.8%	4.1%	-2.7%	-0.8%	0.9%	-3.5%	-	-

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

- The S&P Global UAE PMI declined to 53.8 in October 2025 from 54.2 in September, due to diminished business growth prospects and muted hiring growth, which was the slowest increase in seven months.
- On 2<sup>nd</sup> November 2024, the OPEC+ countries agreed to increase December output targets by 137,000 barrels per day, the same as for October and November. They also agreed to pause increases until Q1 2026 due to concerns over excess supply.
- Consumer Price Index (CPI) in Dubai increased 3.36% y/y in October 2025 compared to 2.88% y/y in September. This was primarily driven by higher transport costs (9.3% weight), which grew 4.2% y/y and housing and utilities (40.7% weight), which witnessed an increase in prices at 5.5% y/y.
- In recent months, UAE Banking sector has experienced robust credit growth. Total bank credit grew 14.7% y/y in September 2025. According to S&P Global, key growth drivers include growing population increasing demand for consumer credit and rapid adoption of digital lending platforms.
- Central Bank of UAE (CBUAE) executed its first-ever cross-border payment using central bank digital

currency (CBDC) between the UAE and China through the 'Jisr' network in November 2025. Additionally, UAE's Ministry of Finance and

Dubai's Department of Finance also completed the UAE's first government financial transaction using the Digital Dirham, in

coordination with the CBUAE.



## Dubai's Largest Budget Cycle Approved

- On 23<sup>rd</sup> November 2025, the Prime Minister of UAE approved Dubai's largest-ever government budget cycle, which covers the fiscal period from 2026 to 2028.
- Total expenditures are forecasted at AED 302.7 billion and total revenues are projected to reach AED329.2 billion.
- 2026–2028 financial cycle reflects Dubai's forward-looking vision through strategic investments in key future sectors such as space research, digital transformation and artificial intelligence, with a focus on fostering entrepreneurship and innovation.
- The estimated expenditure for the fiscal year 2026 stands at AED 99.5 billion and revenues for 2026 are projected at AED 107.7 billion, including general reserves of AED 5 billion.
- Dubai's Department of Finance expects to achieve an operating surplus of up to 5% of the Emirate's projected 2026 GDP.
- The budget for 2026 fiscal year has allocated 48% of the total expenditure to infrastructure investment, 28% to social development, 18% to the security, justice, and safety sector and 6% to government development initiatives.
- The budget is a financial roadmap to accelerate Dubai's ambition to double its GDP and position it among the world's top three urban economies within the next decade, aligning with the Dubai Economic Agenda D33.



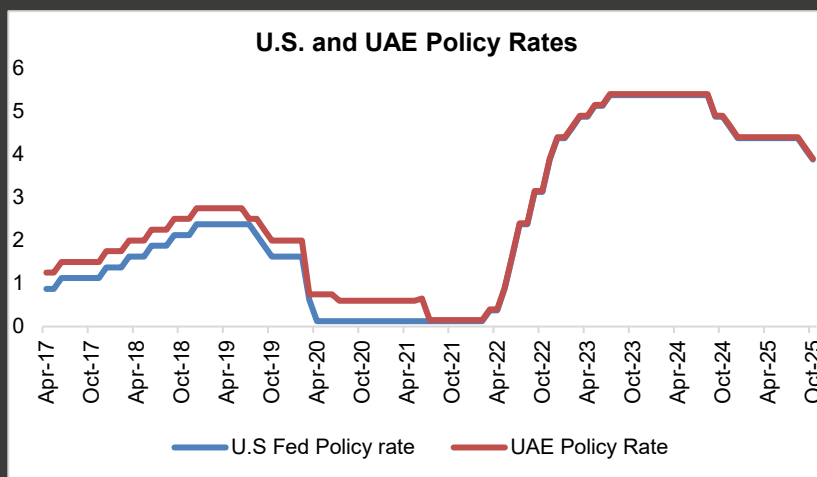
## UAE Economic Cooperation

- UAE's Ministry of Defense signed deals worth AED 3.8 billion at Dubai Airshow 2025:** On 17<sup>th</sup> November 2025, the UAE Ministry of Defense signed 8 contracts worth AED 3.8 billion with various companies, both local and international, at the opening of Dubai Airshow 2025. UAE companies accounted for 81% or AED 3.0 billion of the total deals signed.
- Canada-UAE Investment Summit:** The summit focused on mobilizing capital, advancing national investment priorities, and expanding cooperation in sectors like energy, technology, and infrastructure between the UAE and Canada. Currently, the bilateral investment relationship between the countries exceeds AED 260 billion. UAE and Canada are also set to begin negotiations for a Comprehensive Economic Partnership Agreement (CEPA) soon.
- UAE-Chile CEPA:** The CEPA between UAE and Chile came into effect in November 2025. The agreement is set to enhance bilateral trade and create new investment opportunities across sectors. The bilateral trade between the two countries is expected to exceed USD 500 million within the next five years.
- UAE and South Korea CEPA:** UAE's CEPA with the Republic of Korea has entered its final stages of negotiations and is expected to come into effect by the end of 2025. Notably, the non-oil trade between UAE and South Korea reached USD 6.6 billion in 2024 (11% y/y growth) and amounted to USD 3.1 billion in H12025.
- The UAE has successfully concluded 32 trade deals so far, with 14 agreements in force, under the CEPA programme.



## Spotlight: U.S. Fed Rate Cuts

- The Federal Open Market Committee (FOMC) has implemented two 25 basis points rate cuts in 2025, in September and in October.
- The U.S. Federal Reserve aims to achieve a dual mandate of maximum employment and an inflation rate of 2% in the longer run.
- Although uncertainty about the economic outlook of the U.S. remains elevated and inflation in the country remains sticky, weakening labour market prompted the Fed rate cuts in 2025.
- Due to the U.S. government shutdown, there was a delay in the release of labour market data which created uncertainty in the path for rate cuts.
- However, the September data released in November showed continuing increase in jobless claims and unemployment rate increasing to 4.4%, the highest it's been since October 2021.
- This has increased hopes for another rate cut in the Committee's December 2025 meeting. Major Wall Street banks including J.P.Morgan and Goldman Sachs expect a 25-bps rate cut in December.
- Fed funds futures traders are pricing in 87% odds of a rate cut in December, up from 71% in the previous week, according to the Chicago Mercantile Exchange's FedWatch Tool.
- CBUAE typically mirrors the interest rate changes made by the U.S. Fed due to the UAE dirham's peg to the U.S. dollar.



Source: LSEG Workspace



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