



## Key Highlights

- The U.S. Fed lowered its policy rate by 25 bps on 10<sup>th</sup> December 2025, citing weakening labor market. CBUAE followed suit and lowered the Base Rate by 25 bps to 3.65%.
- The UAE economy has demonstrated remarkable resilience to global economic and policy volatility, with Real GDP projected to grow at 4.8% in 2025, according to IMF.
- Dubai's real estate market has witnessed strong growth, with property sales expanding more than 10 times over the last five years.
- The S&P Global UAE PMI reached a nine-month high of 54.8 in November 2025, primarily driven by an influx of new business volumes.
- Inflation in Dubai moderated to 2.73% y/y in November 2025 compared to 3.36% y/y in October, driven by decrease in transport, housing and utilities costs.



## Key Economic Indicators

Monthly economic indicators	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	2026f
Interest rates (UAE Policy rate)	4.4%	4.4%	4.4%	4.4%	4.4%	4.4%	4.4%	4.4%	4.4%	4.15%	3.9%	3.9%	3.65%	3.4%
Credit growth, y/y	9.5%	9.5%	9.5%	9.4%	9.5%	10.4%	11.1%	12.6%	14.4%	14.7%	15.7%	-	-	-
Deposit growth, y/y	12.9%	11.8%	10.2%	10.5%	9.1%	12.7%	13.1%	12.6%	14.2%	15.4%	14.3%	-	-	-
IHS Markit, PMI Composite	55.4	55.0	55.0	54.0	54.0	53.3	53.5	52.9	53.3	54.2	53.8	54.8	-	-
Dubai inflation, y/y change	2.89%	3.22%	3.15%	2.79%	2.31%	2.37%	2.37%	2.88%	2.43%	2.88%	3.36%	2.73%	-	-
Abu Dhabi inflation, y/y change	0.3%	0.2%	0.8%	0.1%	-0.1%	-0.6%	-0.7%	0.1%	-0.5%	0.2%	1.5%	0.9%	-	-
Dubai General Index (DFMGI)	6.4%	0.4%	2.6%	-4.2%	4.1%	3.3%	4.1%	7.9%	-1.6%	-3.7%	3.8%	-3.7%	3.6%	-
FTSE ADX General Index	2.0%	1.8%	-0.2%	-2.0%	1.8%	1.6%	2.8%	4.1%	-2.7%	-0.8%	0.9%	-3.5%	2.5%	-

Source: LSEG Workspace, Abu Dhabi Statistics Centre, CBUAE, Dubai Statistics Centre, FOMC December 2025 Projections, S&P Global. Note: e-Estimate; f-Forecast.

- The S&P Global UAE PMI reached a nine-month high of 54.8 in November 2025, up from 53.8 in October and above its long-run average of 54.3. This was driven by an influx of new business volumes and supportive market conditions.
- On 10<sup>th</sup> December 2025, the U.S. Fed lowered the target range for the federal funds rate by 25 basis points to 3.5% to 3.75%. Despite sticky inflation in the country, weakening job market was cited as the key reason behind the rate cut. The Fed is expected to implement two more rate cuts in 2026.
- In line with the U.S. Fed, CBUAE also decided to cut its Base Rate by 25 basis points from 3.90% to 3.65%, effective from 11<sup>th</sup> December 2025.
- Consumer Price Index (CPI) in Dubai moderated to 2.73% y/y in November 2025 compared to 3.36% y/y in the previous month. This was primarily driven by moderating transport costs (9.3% weight), which grew 0.2% y/y in November vs. 4.2% y/y in the previous month and housing and utilities (40.7% weight) witnessed an increase in prices at 5.3% y/y in November vs. 5.5% in the previous month.
- During CBUAE's Board Meeting in December 2025, the Central Bank

approved the issuance of three new regulations focusing on insurance and telemarketing. It was also noted that several central

banks joined CBUAE's "Jisr" platform for central bank digital currencies (CBDCs). Additionally, the financial sector achieved

95% of the 2023-2026 "Ithraa" Emiratisation Programme targets, as of 2025.



## UAE Economic Update<sup>1</sup>

- The UAE economy has demonstrated remarkable resilience to global economic and policy volatility, with projected Real GDP growth accelerating to 4.8% in 2025 and 5.0% in 2026. UAE's 2025 GDP growth projection is the highest among GCC countries.
- This expansion is fueled by rising oil production through OPEC+ production cut reversals and strong performance in non-oil sectors like real estate, financial services and tourism.
- While housing costs drive moderate price pressures, overall inflation is expected to remain stable at 1.6% in 2025 and 2.0% in 2026. In 2025, while Dubai's

inflation remained between 2.3% and 3.4% y/y, Abu Dhabi's inflation remained relatively lower at -0.7% to 1.5%.

- UAE maintains solid current and fiscal positions, characterized by significant surpluses and healthy foreign reserves that provide substantial cushion against external shocks. Foreign reserves remained adequate at 7.6 months of imports in 2025.
- Real estate markets, especially in Dubai, show buoyant activity largely driven by expanding non-oil GDP, growing population and supportive regulations, with UAE being an attractive destination for investment and employment.

- The financial sector remains stable, with high capital buffers and improving asset quality.
- Despite the geopolitical uncertainty and shifts in global trade policy, UAE's strategic diversification through Comprehensive Economic Partnership Agreements (CEPAs) and its status as a global financial hub bolsters its economic outlook.
- While risks of a global slowdown persist, UAE's strong financial buffers and proactive macroprudential policies ensure it is well-equipped to navigate future challenges while maintaining long-term stability and sustained growth.



## UAE Economic Cooperation

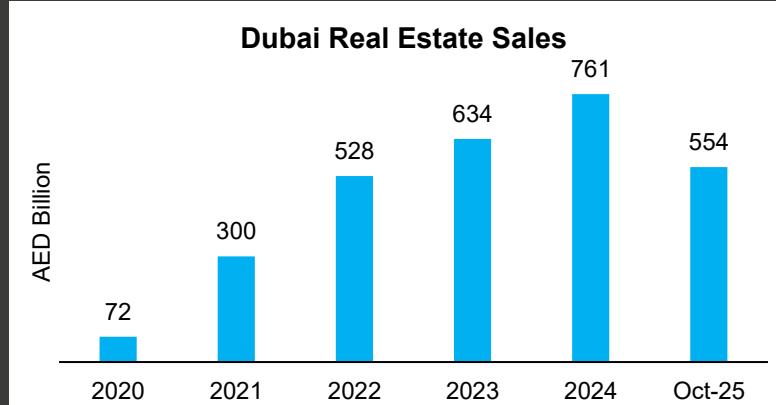
- UAE and Russia Strengthen Strategic Ties:** The 12th UAE-Russia Intergovernmental Commission held in December 2025, focused on enhancing collaboration and discussed action plans in new economy, investment, energy, food security, logistics, and tourism sectors.
- UAE-India Strategic Partnership Progress:** During the 16th Joint Committee meeting, discussions highlighted progress achieved under the CEPA, which has advanced bilateral trade towards the shared goal of USD 100 billion. Digital financial integration, including the linkage between India's Unified Payments Interface (UPI) and UAE's AANI platform and interoperability of India's RuPay and UAE's JAYWAN cards were also discussed.
- Strengthening UAE-China Comprehensive Partnership:** Discussions primarily centered on collaboration in technology, infrastructure and energy sectors. It was noted that the Comprehensive Strategic Partnership between the two countries had witnessed positive developments across sectors.
- UAE-EU Economic Negotiation Milestones:** In December 2025, the UAE and EU held high-level negotiations to deepen their economic and trade relationship. Discussions focused on expanding investment flows and exploring opportunities in renewable energy and infrastructure sectors.

<sup>1</sup> Source: IMF Staff Report for 2025 Article IV Consultation, released in December 2025.



## Spotlight: Dubai Real Estate Market

- Dubai's real estate market has witnessed significant growth, with property sales expanding more than 10 times over the last five years.
- In November 2025, Dubai residential sales prices increased by 12.62% y/y and rents increased by 6.14% y/y. With rental yields at 7.47%, Dubai continues to significantly outperform major global hubs like New York (5.8%), London (3.3%), and Singapore (3.0%).
- Several key factors are driving this sustained demand in Dubai -
  - **Investor Appeal:** High yields and relative affordability compared to other global financial centres, combined with a weakening U.S. dollar (to which the AED is pegged), make Dubai an attractive target for international capital.
  - **Shifting Demographics:** Resident expatriates now account for approximately 50% of new buyers, while favourable long-term residency options like the Golden Visa and supportive tax policies are expected to draw nearly 9,800 millionaires to the UAE in 2025 alone.
  - **Off-Plan Dominance:** Demand for off-plan units is currently outpacing ready properties, fuelled by flexible payment plans, luxury branded fittings, and opportunities for high-net-worth individuals to engage in bulk acquisitions.
- While the market will remain buoyant, S&P expects demand and prices to moderate over the next 1-2 years.
- This boom is expected to have knock-on effects on the wider economy, especially the banking sector through increased demand for mortgages, development financing and ancillary banking services, which will drive loan growth, fee income and overall profitability.



Source: Dubai Land Department (DLD)



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