

NEWSLETTER

February 2026



Key Highlights

- The U.S. FED kept its policy rate unchanged at 3.5%–3.75% in the January FOMC meeting halting a streak of three consecutive cuts, signaling a pause in monetary easing. CBUAE followed suit by maintaining the Base Rate at 3.65%.
- The UAE stepped up its trade diversification push through new CEPAs with the Philippines and Nigeria, ongoing negotiations with Pakistan and Canada, while deepening economic cooperation and investment ties with India and Australia.
- S&P Global UAE PMI eased to 54.2 in December 2025 from 54.8 in November, remaining in-line with the long-term average and signaling strong non-oil sector growth.
- Rising global geopolitical tensions around Greenland and ongoing frictions between the U.S and Iran are elevating energy market volatility and risk sentiment, indirectly impacting the UAE through oil prices, trade flows, and investment activity.
- Inflation in Dubai rose to 2.99% y/y in December 2025 compared to 2.73% y/y November, driven by increased transport prices and food costs



Key Economic Indicators

Monthly economic indicators	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	2026f
Interest rates (UAE Policy rate)	4.4%	4.4%	4.4%	4.4%	4.4%	4.4%	4.4%	4.4%	4.15%	3.9%	3.9%	3.65%	3.65%	3.4%
Credit growth, y/y	9.5%	9.5%	9.4%	9.5%	10.4%	11.1%	12.6%	14.4%	14.7%	15.7%	17.1%	-	-	-
Deposit growth, y/y	11.8%	10.2%	10.5%	9.1%	12.7%	13.1%	12.6%	14.2%	15.4%	14.3%	15.4%	-	-	-
IHS Markit, PMI Composite	55.0	55.0	54.0	54.0	53.3	53.5	52.9	53.3	54.2	53.8	54.8	54.2	-	-
Dubai inflation, y/y change	3.22%	3.15%	2.79%	2.31%	2.37%	2.37%	2.88%	2.43%	2.88%	3.36%	2.73%	2.99%	-	-
Abu Dhabi inflation, y/y change	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)	0.4%	2.6%	-4.2%	4.1%	3.3%	4.1%	7.9%	-1.6%	-3.7%	3.8%	-3.7%	3.6%	6.4%	-
FTSE ADX General Index	1.8%	-0.2%	-2.0%	1.8%	1.6%	2.8%	4.1%	-2.7%	-0.8%	0.9%	-3.5%	2.5%	2.9%	-

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's UAE PMI eased to 54.2 in December 2025 from 54.8 in November, albeit remaining in-line with the long-term average and signaling strong non-oil sector growth. The private non-oil sector activity was supported by new orders and stable demand, although rising costs and weaker hiring weighed on business confidence.
- On 28th January 2026, the U.S. FED kept the federal funds rate unchanged at 3.5%–3.75% after three rate cuts in 2025. While unemployment rates have stabilized, inflation remains elevated above the FED's target of 2%. Markets expect US FED to pause rate cuts until at least June, with one or two possible 25bps rate cuts likely later in 2026.
- In line with the U.S. Fed, CBUAE also decided to keep its base rate unchanged at 3.65%.
- Consumer Price Index (CPI) in Dubai rose to 2.99% y/y in December 2025 compared to 2.73% y/y in the previous month. This was primarily driven

by higher transport costs (9.32% weight), which grew 3.56% y/y in December vs. 0.23% y/y in November due to increased fuel prices. Food & beverages (11.66% weight) prices increased by 1.18% y/y compared to 0.7% in the previous month.

- The CBUAE approved USDU, the country's first

USD-backed stablecoin, and issued under a regulated, bank-supervised framework, with reserves held at major UAE banks including Emirates NBD, Mashreq, and Mbank. The move supports wider regulated crypto adoption, alongside Dubai Insurance launching a wallet that allows customers to pay

- premiums and receive claims in digital assets. CBUAE, in partnership with Network International and powered by PopID, launched a sandbox-based biometric payments pilot using facial and palm recognition to enable secure, card-free transactions as part of the UAE's broader digital economy strategy.



Navigating Global Geopolitical Shifts

- Global geopolitics remain characterized by rising strategic competition among major powers, with security concerns, energy supply risks, and trade realignments contributing to a more fragmented and volatile environment, keeping markets sensitive to political and military developments across regions.
- In the Arctic, growing U.S. strategic attention towards Greenland reflects heightened interest in defense positioning, critical minerals, and emerging

- shipping routes, underscoring broader great-power competition and adding another layer of geopolitical uncertainty to global energy and commodity markets.
- Separately, tensions between the U.S and Iran persist around sanctions, regional security, and maritime activity near key oil transit corridors, maintaining the risk of supply disruptions and periodic volatility in crude markets.
- Collectively, these developments have led to

- higher global risk premiums, fluctuating oil prices, and cautious investor sentiment, with capital flows and trade activity responding quickly to shifts in geopolitical headlines and perceived supply security.
- For the UAE, the impact is largely indirect but material, as oil price swings influence export revenues, while changes in global trade and investment sentiment affect its role as a regional hub for energy, logistics, and financial services.



UAE Economic Cooperation

- **UAE-Philippines CEPA:** The UAE and Philippines signed a CEPA on 13th January 2026 to cut tariffs, expand trade and investment, and enhance cooperation across key sectors.
- **UAE-Nigeria CEPA:** The UAE and Nigeria signed a CEPA to reduce tariffs, boost trade and investment across key sectors, and strengthen economic ties.
- **UAE-India Cooperation Roadmap 2026:** The UAE-India Business Council launched its 2026 program to deepen bilateral cooperation focusing on initiatives that support a target of US\$200bn in trade and investment.
- **UAE-Australia Trade Ties Strengthen:** The UAE and Australia held their second Joint Economic Committee to advance CEPA-driven trade and investment, strengthen private-sector cooperation across high-growth sectors.
- **UAE-Canada CEPA:** Canada is set to launch formal CEPA negotiations with the UAE in February 2026, aiming to secure a historic US\$50 billion investment in energy, logistics, AI, and mining.
- So far, the UAE has concluded 35 CEPA agreements, with 14 fully in effect.



Spotlight: Gold Price Surge

- Gold prices rallied in 2025, surging by 64.4% to end the year at USD 4,314.12/oz. This bullish momentum extended into 2026, with prices hitting a historic peak of USD 5,399.29 during the final week of January 2026. However, the month concluded with a moderate correction, as gold settled at USD 4,864.35/oz.
- The upward trajectory in 2025 was fuelled by rising geopolitical tensions, macroeconomic uncertainty and persistent inflation concerns. Investors increasingly view gold as a safe-haven asset during periods of economic stress, which has strengthened buying momentum worldwide.
- The World Gold Council reported that total global gold demand in 2025 surpassed 5,000 tonnes, equivalent to roughly USD 555 billion in value. ETF inflows and higher purchases of physical bars and coins have been the main contributors, showing that investment demand has driven the rally.
- However, the price trend has not been smooth. Gold has experienced short-term corrections and dips, largely due to profit-taking, changes in interest-rate expectations and movements in the U.S. dollar.
- The primary catalyst for the fall in gold prices towards the end of January was the announcement that Kevin Warsh had been nominated as the next Chair of the U.S. Fed. Warsh is perceived by markets as a person in favor of higher interest rates and a smaller Fed balance sheet. Higher rates increase the opportunity cost of holding gold, as it yields no interest compared to bonds.
- The UAE is especially sensitive to these price movements because it acts as both a large consumer market and a global bullion trading hub. According to the Federal Competitiveness and Statistics Centre (FCSC), overall gold demand in the UAE fell about 4% to ~44 tonnes in 2025, while jewellery demand dropped roughly 15% year-on-year as higher prices reduced affordability.
- At the same time, consumer behaviour has shifted. Demand for bars and coins increased, with double-digit growth in some periods, as residents focused more on wealth preservation and hedging rather than discretionary purchases.
- For trade and business activity, gold remains strategically important. The UAE exported around AED 196 billion (USD 53+ billion) worth of gold products, supporting refining, logistics, wholesale and re-export operations. While price volatility requires tighter inventory and risk management, strong institutional demand and cross-border trade flows continue to anchor gold's importance to the UAE's broader commercial economy.



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