

NEWSLETTER

October 2026



Key Highlights

- The UAE's S&P Global PMI rose to 55.3 in August 2026 from 52.7 in July 2026, driven by sharp rise in new orders and stronger output.
- On 16th September 2026, the U.S. Fed decided to increase its policy rates by 25bps in response to the elevated inflation owing to the rising energy prices. Mirroring the move, the CBUAE also increased its policy rates by 25 bps from 3.65% to 3.90%, effective from the 17th of September 2026.
- The Strait of Hormuz remained a high-risk flashpoint during the month, with frequent attacks on oil tankers and merchant vessels, leading to restricted U.S. naval protection windows and heightened insurance pressures.
- Oil prices witnessed sharp volatility during the month, owing to the heightened geopolitical tensions. Brent Crude oil prices reached USD 108 per barrel during the month, closing the month at USD 108 per barrel during the month and closed at USD 103.5, registering a 14.4% monthly gain.
- On 24th September 2026, the UAE and Argentina launched negotiations for CEPA with an aim to attract high-quality investment in sectors such as mining and minerals, artificial intelligence and data centers, pharmaceuticals, tourism and real estate among others
- UAE real estate activity has moderated amid heightened geopolitical tensions, as cautious foreign investor sentiment weighed on residential prices, rents and transaction activity.
- Long-term fundamentals remain supportive despite near-term moderation, underpinned by government initiatives, continued foreign investment, population growth and regulatory support.



Key Economic Indicators

Monthly economic indicators	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	Apr-26	May-26	Jun-26	Jul-26	Aug-26	Sep-26	2026F
Interest rates (UAE Policy rate)	4.4%	4.15%	3.9%	3.9%	3.65%	3.65%	3.65%	3.65%	3.65%	3.65%	3.65%	3.65%	3.65%	3.90%	3.9%
Credit growth, y/y	14.4%	14.7%	15.7%	17.1%	17.9%	18.8%	19.3%	20.3%	20.4%	19.2%	18.1%	18.3%	-	-	-
Deposit growth, y/y	14.2%	15.4%	14.3%	15.4%	16.2%	17.5%	18.4%	17.4%	17.0%	14.7%	14.0%	13.9%	-	-	-
IHS Markit, PMI Composite	53.3	54.2	53.8	54.8	54.2	54.9	55.0	52.9	52.1	52.6	50.8	52.7	55.3	-	-
Dubai inflation, y/y change	2.43%	2.88%	3.36%	2.73%	2.99%	-	2.7%	3.8%	4.8%	5.5%	5.7%	5.3%	5.5%	-	-
Abu Dhabi inflation, y/y change	-0.5%	0.2%	1.5%	0.9%	1.5%	1.6%	1.1%	-	-	-	-	-	-	-	-
Dubai General Index (DFMGI)	-1.6%	-3.7%	3.8%	-3.7%	3.6%	6.4%	1.1%	-16.4%	6.1%	-0.1%	1.1%	-2.7%	0.7%	2.1%	-
FTSE ADX General Index	-2.7%	-0.8%	0.9%	-3.5%	2.5%	2.9%	1.7%	-8.9%	2.7%	-0.8%	3.4%	1.1%	0.9%	0.6%	-

Source: LSEG Workspace, Abu Dhabi Statistics Centre, CBUAE, Dubai Statistics Centre, FOMC March 2026 Projections, S&P Global. Note: F- End of Year Forecast.

- The UAE's S&P Global PMI rose to 55.3 in August 2026 from 52.7 in July 2026, driven by sharp rise in new orders and stronger output. The move was supported by improved supply conditions and softening cost pressure.

- On 16th September 2026, the U.S. Fed decided to increase its policy rates by 25bps owing to inflationary pressure in the U.S., driven by rising energy prices. Mirroring the move, the CBUAE also increased its policy rates by 25 bps from 3.65% to 3.90%, effective from the 17th of September 2026.
- The UAE's overall real GDP is projected to grow at 1.6% y/y in 2026, with oil sector activity expected to expand by 2.4% y/y, according to the CBUAE's Quarterly Economic Review released in September 2026.
- Economic Growth is expected to strengthen in 2027, driven by an increase in oil production, which is projected to reach 5 million barrels per day. Non-oil GDP is expected to grow by 4.9% in 2027.
- UAE's government debt fell to 31% of GDP in Q2 2026, down from 32.9% in the previous year, according to the Global Debt Monitor from the Institute of International Finance (IIF).
- Gross credit continued to increase in July 2026 (up 18.3% y/y) from AED 2,366.1 billion in July 2025 to 2,798.9 billion in July 2026. Domestic credit expansion was mainly driven by increased lending to the private sector. Credit to individuals rose 14.7% y/y, and credit to corporates rose 24% y/y.
- On 17th September 2026, the UAE Ministry of Finance launched the second issuance as part of the Sovereign Retail T-Sukuk Programme.
- On 29th September 2026, the Central Bank of the UAE and the Central Bank of Egypt renewed a five-year, AED 5 billion (USD 1.36 billion) currency swap agreement to promote local-currency settlements, enhancing bilateral trade and investment, and strengthening financial cooperation.



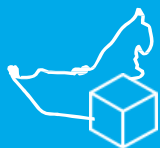
Geopolitical developments and the impact on Oil

- The Strait of Hormuz remained a high-risk flashpoint through the month, with frequent attacks on oil tankers and merchant vessels by Iran, leading to restricted U.S. naval protection windows.
- On 10th September 2026, the oil supply vulnerability intensified when drone strikes forced an indefinite shutdown of Saudi Arabia's East-West pipeline bypass route that accounts for 4-5% of global oil supply.
- Geopolitical tensions intensified during the month, highlighted by continued U.S. naval blockade and an Iranian anti-ship missile strike on 14th September 2026 that injured eight U.S. Marines.
- Meanwhile, crude oil exports from key Middle East producers rebounded in September to 12.8 million bpd, the highest since the commencement of the conflict.
- However, the Middle East exports were still 6 million bpd below the pre-conflict levels, which were at 18.8 million bpd in February.
- Kpler estimated September oil exports via the Strait of Hormuz at approximately 7.4 million bpd, which still remains well below the February level of 19 million bpd.
- Saudi Arabia's exports have driven much of the increase for the month by redirecting shipments back through the Strait of Hormuz, as its monthly crude oil exports reached close to 5.4 million bpd in September 2026, up from 2.4 million bpd in August.
- On 24th September, Iran proposed a 60-day regional ceasefire and phased Hormuz reopening in return for an end to the US blockade, though the U.S. rejected terms that deferred nuclear negotiations.
- Oil prices witnessed sharp volatility during the month, owing to the heightened geopolitical tensions. Brent Crude oil prices reached USD 108 per barrel during the month and closed at USD 103.5, registering a 14.4% monthly gain.
- Responding to energy-driven inflation, the U.S. Federal Reserve hiked interest rates by 25 basis points to a range of 3.75% to 4.00%.
- According to data from Kpler, the UAE's fuel oil (refined) exports stood at over 1.4 million tons in September, crossing a one-year high, supported by the Habshan-Fujairah pipeline.



UAE Economic Cooperation

- **UAE and Germany expanded their strategic partnership:** On 10th September 2026, the nations announced 12 agreements, MoUs and declarations, including the launch of a Strategic Dialogue and plans for a UAE-German Investment Council. The cooperation spans across data centres, energy, aviation, defence and security, technology, environment and culture.
- **UAE and China established a Business Advisory Committee:** On 10th September 2026, the UAE Ministry of Investment and China Council for the Promotion of International Trade signed an MoU to establish the China-UAE Business Advisory Committee, enabling direct private-sector engagement, investment matchmaking and identification of new projects. The initiative builds on strong bilateral ties, with nearly 16,000 Chinese companies operating in the UAE and China accounting for 4.8% of UAE inward FDI stock in 2025.
- **UAE and Mongolia sign MoU for clean energy cooperation:** On 11th September 2026, UAE And Mongolia signed an MoU to accelerate collaboration in renewable energy and green hydrogen, establishing a framework to drive joint clean energy projects, build technical capacity, and unlock strategic investment opportunities between the two nations.
- **UAE and South Korea expand partnerships at ADIF Seoul 2026:** On 16th September 2026, South Korea and the UAE agreed to expand strategic collaboration into cutting-edge sectors including digital assets, gaming, and autonomous driving. Capitalizing on growing bilateral ties, the nations signed seven memorandums of understanding (MOUs) to drive technological innovation and cross-border investment.
- **UAE joined the Pacific Islands Forum as a Strategic Partner:** On 18th September 2026, the UAE announced its Strategic Partner status with the Pacific Islands Forum (PIF), creating opportunities to deepen trade, investment and business partnerships. The cooperation will focus on renewable energy, digital transformation, connectivity, climate resilience and sustainable development across Pacific Island nations.
- **UAE and Argentina launched negotiations for CEPA:** On 24th September 2026, the UAE and Argentina launched negotiations for CEPA with an aim to attract high-quality investment in sectors such as mining and minerals, artificial intelligence and data centers, pharmaceuticals, tourism and real estate among others.
- **UAE and Singapore strengthen economic ties:** On 28th September 2026, the 17th Abu Dhabi-Singapore Joint Forum (ADSJF) in Singapore featured four major agreements between UAE and Singapore. This included a bilateral investment cooperation, an industrial corridor facilitated by the Singapore Business Federation and KEZAD, public sector capability training, and an MoU between Wital Gulf Industries and KEZAD to establish a new sustainable hub.



Spotlight: Real Estate Transacti ons in the UAE

- Activity in the UAE real estate market moderated amid heightened geopolitical tensions, as cautious foreign investor sentiment weighed on residential prices, rents, and transaction activity.
- The impact has been uneven across markets and segments, with commercial real estate, particularly offices, remaining relatively resilient.
- Dubai office rents went up 13% year-on-year (with occupancy about 94%) and Abu Dhabi rents up nearly 16% (occupancy about 96%) in Q2 2026.
- Dubai's residential market showed signs of stabilization by early Q3 2026, with average housing prices recording their first annual decline since 2021. Transaction value fell 33% q/q to AED 168bn in Q2, while city-wide prices and rents declined 4% and 6% q/q, respectively, indicating some easing after the strong growth seen in previous quarters.
- Developers have also responded to softer demand by slowing new launches, with only 5,335 units launched in Q2 versus more than 45,000 in Q1, while adopting phased releases and extending project delivery timelines.
- Abu Dhabi's real estate activity moderated but remained above 2025 levels, with transactions reaching AED 117bn in H1 2026. Residential prices continued to record strong y/y growth of 21.6% in Q2, although quarterly prices and rents eased as additional supply entered the market and rental regulations were tightened.
- Sharjah continued to record broad-based improvement in transaction activity, with Q1 transaction value rising 40.7% y/y to AED 18.5bn. In Q2 2026, transaction volumes increased around 29% y/y even as total value declined by about 20% y/y, suggesting greater activity in smaller and more affordable property segments.
- However, affordability remains a structural advantage for Sharjah's real estate market, with rents typically 20–30% below comparable properties in Dubai. Nearly 290,000 residential rental contracts were registered in Sharjah in 2025, highlighting sustained rental demand.
- Long-term fundamentals for the UAE real estate market remain supportive despite near-term moderation, underpinned by government initiatives, continued foreign investment, population growth and regulatory support.
- Dubai's removal of the AED 750,000 minimum property value for the two-year property visa has lowered the entry barrier for foreign investors and could broaden demand in affordable and mid-market segments.
- The initiative has broadened the pool of potential buyers, particularly in Dubai's affordable and mid-market segments. It could support property demand in the long term by linking lower-value investments with residency benefits, enhancing Dubai's appeal amid regional geopolitical uncertainty.

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