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UAE ECONOMIC REPORT

JANUARY 2026

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CONTACTS

Dr. Marwan Barakat
(961-1) 977409
marwan.barakat@bankaudi.com.lb

Salma Saad Baba
(961-1) 977346
salma.baba@bankaudi.com.lb

Michèle Khoury Sakha
(961-1) 977102
michele.sakha@bankaudi.com.lb

Stephanie Bou Sleiman
(961-1) 952397
stephanie.bousleiman@bankaudi.com.lb

Elias G. Missi
(961-1) 959747
elias.missi@bankaudi.com.lb

Rozan R. Wehbe
(961-1) 952313
rozan.wehbe@bankaudi.com.lb

STRONG RESILIENCE TO GLOBAL UNCERTAINTY, REGIONAL CONFLICTS, AND OIL MARKET VOLATILITY

Real GDP set to expand by 4.8% in 2025 driven by both hydrocarbon and non-hydrocarbon output
The UAE economy has shown strong resilience to global uncertainty, regional conflicts, and oil market volatility. Supported by sustained diversification and expanding exports, the UAE is projected to grow strongly, well above the global average in 2025. Following an estimated 4.0% growth in 2024, real GDP is projected to expand by 4.8% in 2025 as per IMF, driven by robust non-hydrocarbon growth and a rebound in hydrocarbon output as OPEC+ production increases. Expansion in tourism, construction, and financial services continues to underpin growth, supported by major infrastructure projects.

Narrowing fiscal surplus amid higher government expenditure and moderated revenue growth
The UAE pursued an expansionary fiscal policy over the year 2025, strategically focused on fiscal stimulus and regulatory reforms to solidify its position as a global economic and technology hub and meet its long-term economic diversification goals. Government revenues expanded from AED 403.0 billion (the equivalent of US$ 109.7 billion) in the first nine months of 2024 to AED 408.5 billion (the equivalent of US$ 111.2 billion) in the first nine months of 2025, up by 1.4%. On the spending front, government expenditures registered a year-on-year increase of 11.8%, moving from AED 286.9 billion (or US$ 78.1 billion) in the first nine months of 2024 to AED 320.8 billion (or US$ 87.4 billion) over the same period of 2025. That being said, the overall UAE government net lending/borrowing surplus contracted significantly by 35.4% year-on-year, moving from AED 95.5 billion (or US$ 26.0 billion) in the first nine months of 2024 to AED 61.7 billion (or US$ 16.8 billion) in the first nine months of 2025, mainly due to an expansionary fiscal policy aimed to accelerate economic diversification and structural growth.

Inflation remains contained in line with further expansion in international reserves
The year 2025 in the UAE saw further interest rate cuts, mirroring the US Federal Reserve's monetary easing, given the Dirham's peg to the US dollar, which continues to provide a credible policy anchor and contributed to stabilizing inflation, while strong foreign capital inflows resulted into a further expansion in gross international reserves over the year. Latest monthly CPI figures released by the UAE Federal Competitiveness and Statistics Authority showed that consumer prices rose by 0.7% year-on-year in August 2025. The broader money supply (M2), which consists of Money Supply (M1) plus quasi-monetary deposits, grew by 11.8%, moving up from US$ 630.4 billion at end-2024 to US$ 705.1 billion at end-September 2025.

A noticeably good year for the UAE banking sector
The year 2025 was a good year for the UAE banking sector. Measured by the aggregation of assets of operating banks, banking activity grew by 14.1% over the first nine months of the year to reach US$ 1,416 billion, the equivalent of 248.8% of GDP, one of the high ratios worldwide for the banking dimension relative to economic dimension. Likewise, deposits increased by 11.9% over the first nine-month period to reach US$ 867 billion. As to loans to the private sector, they rose by 9.5%, moving from US$ 365 billion in December 2024 to US$ 400 billion in September 2025. With respect to capitalization, the sector's shareholder equity reported US$ 155 billion in September 2025 (11.0% of total assets), up by 6.8% year-to-date. The banks' average capital adequacy ratio, denoting total capital to risk weighted assets, reported 17.4% as of end-September 2025, testifying of strong solvency level for the UAE banking sector.

Price gains across UAE capital markets in 2025
Activity on the UAE equity markets was skewed to the upside over the first eleven months of 2025, mainly supported by robust non-oil economy, booming realty sector and significant international capital inflows. Concurrently, the UAE fixed income markets saw across-the-board price gains, mainly tracking US Treasuries move given the US Fed's monetary easing policy.

UAE expected to remain resilient to global policy uncertainty
Looking forward, the UAE is expected to remain resilient to global policy uncertainty. Ongoing efforts to expand Comprehensive Economic Partnership Agreements will further bolster resilience and support diversification, while financial markets and capital flows continue to demonstrate resilience to global shocks, reflecting strong investor confidence. The economic outlook yet remains subject to external risks, including oil price volatility, geopolitical uncertainty, and disruptions to global trade as per the World Bank. Global financial conditions and prevailing uncertainty may present additional challenges. At the same time, fiscal buffers, targeted investment, and structural reforms are expected to underpin stability and resilience over the medium term.

Bank Audi sal - Group Research Department - Bank Audi Plaza - Bab Idriss - PO Box 11-2560 - Lebanon - Tel: 961 1 994 000 - email: research@bankaudi.com.lb

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The UAE economy has shown strong resilience to global uncertainty, regional conflicts, and oil market volatility. Supported by sustained diversification and expanding exports, the UAE is projected to grow strongly, well above the global average in 2025. Following an estimated 4.0% growth in 2024, real GDP is projected to expand by 4.8% in 2025 as per IMF, driven by robust non-hydrocarbon growth and a rebound in hydrocarbon output as OPEC+ production increases. Expansion in tourism, construction, and financial services continues to underpin growth, supported by major infrastructure projects.

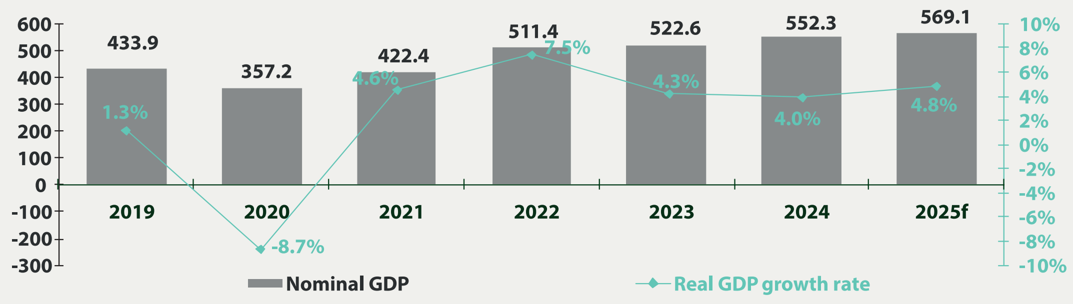
At the monetary level, inflation is projected at 1.6% in 2025. The Broad Money growth reported 11.8% over the first nine months of 2025, against 14.5% in full-year 2024. In parallel, net international reserves grew by 13.9% over the first nine months of 2025 to move from US$ 231 billion at end-2024 to US$ 263 billion at end-September 2025 (the equivalent of 48.5% of Money Supply AED). It is worth mentioning that UAE's current account balance contracted over the past year, to move from US$ 80 billion in 2024 (the equivalent of 14.5% of GDP) to US$ 75.0 billion in 2025 (the equivalent of 13.2% of GDP).

At the fiscal level, the year 2025 saw a faster spending growth relative to revenue growth, leading to a decline in the Emirates' fiscal surplus. In fact, public expenditures grew by 11.8% over the first nine months of 2025 relative to the 2024 corresponding period, to move from US$ 78 billion (18.9% of GDP) to US$ 87 billion (20.5% of GDP). In parallel, public revenues grew by 1.4% over the first nine months of 2025 relative to the 2024 corresponding period, to move from US$ 100 billion (26.5% of GDP) to US$ 111 billion (26.1% of GDP). As a result, fiscal surplus contracted by 35.4%, to move from US$ 26.0 billion (6.3% of GDP) to US$ 16.8 billion (3.9% of GDP). But total public debt remained constant at US$ 193 billion, the equivalent of 34.0% of GDP at end-2025, against 34.9% at end-2024.

The UAE's financial sector remains strong and sound, supported by adequate capital and liquidity buffers, improved asset quality, and conservative macroprudential policies. Banks remain profitable, with capital and liquidity ratios well above regulatory minimums and declining non-performing loan ratios. Credit to the private sector continues to grow, while double-digit deposit growth has strengthened funding and lowered the loan-to-deposit ratio. Conservative loan-to-value and debt-burden ratios, together with the introduction of a countercyclical capital buffer, are helping mitigate risks and reduce vulnerabilities, while the new Financial Stability Council provides a valuable forum for national risk analysis as assessed by IMF.

With respect to capital markets, the year 2025 saw equity price increases at the stock markets level and contraction in CDS spreads at the fixed income market level. The Abu Dhabi share price index rose by 3.5% over the first 11 months of 2025, with market capitalization reaching US$ 804 billion in November. This comes amid improving trading activity, as the turnover ratio rose from 8.7% in 2024 to 10.9% in the first 11 months of 2025. The Dubai share price index rose by 13.1% over the first 11 months of 2025, with market capitalization reaching US$ 258 billion in November. It likewise came amid improving trading activity, as the turnover ratio rose from 11.8% in 2024 to 18.6% in the first 11 months of 2025.

EVOLUTION OF ECONOMIC PERFORMANCE



Sources: IMF, Bank Audi's Group Research Department

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As to fixed income markets, the Abu Dhabi 5-year CDS spread contracted from 43 basis points at end-2024 to 28 basis points at end-November 2025, while Dubai 5-year CDS spread contracted from 64 basis points to 50 basis points over the same period.

The in-depth developments in the real sector, external sector, public sector and financial sector of the economy are detailed in the forthcoming sections. The concluding remarks are left to the outlook of the UAE economy looking ahead.

1. ECONOMIC CONDITIONS

1.1. REAL SECTOR

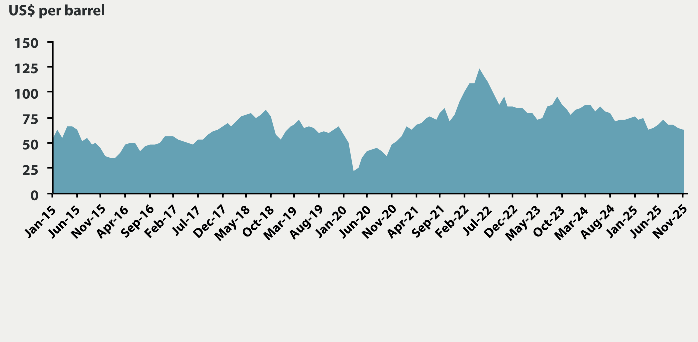
1.1.1. Hydrocarbons Sector

Improving outlook for the UAE's hydrocarbon sector amid rising production volumes following revised OPEC+ quotas

The United Arab Emirates (UAE)'s hydrocarbons sector recorded a strengthening performance in 2025, underpinned by an improved production outlook following revisions to OPEC+ quotas. The adjustment to higher production ceilings has supported a rebound in hydrocarbon activity, translating into a marked acceleration in hydrocarbon GDP growth. In this context, the hydrocarbon sector is projected to expand by 5.8% in 2025 and further by 6.5% in 2026. This increase in real hydrocarbon output is expected to largely offset the impact of softer oil prices on government revenues, thereby generating positive spillovers to the non-hydrocarbon sector and supporting overall economic momentum.

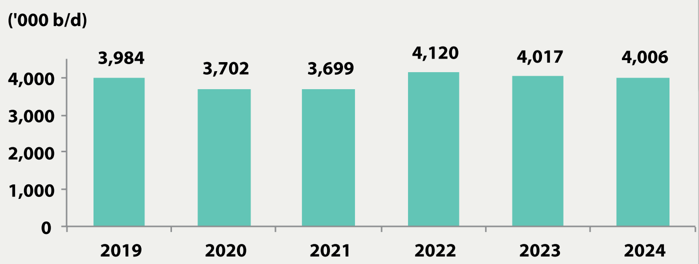
Looking at oil GDP in the UAE during the first half (H1) of 2025, it recorded AED 209.3 billion (US$ 57.0 billion), showing a decrease of 0.6% year-on-year against AED 210.5 billion (US$ 57.3 billion) in H1 2024, as per data from the Federal Competitiveness and Statistics Centre (FCSC). However, according to the Central Bank of the UAE (CBUAE), this trend is set to reverse by the end of 2025, as the hydrocarbon sector is expected to grow by 5.8% year-on-year against 2024. This is followed by a further expansion of 6.5% in 2026. This real adjustment in hydrocarbon output is expected to largely offset the negative impact of declining oil prices on government revenues, creating a positive ripple effect on non-hydrocarbon sectors.

CRUDE OIL PRICES



Sources: Bloomberg Bank Audi's Group Research Department

OIL PRODUCTION



Sources: Energy Institute, Bank Audi's Group Research Department

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At the level of hydrocarbon production in the UAE, the production of crude, NGPL, and other liquid products is set to reach 4.3 million barrels per day (mbpd) in 2025, up by 4.7% from the year prior. Additionally, between 2025 and 2026, production is set to increase by a further 6.0% to reach 4.6 mbpd. Looking forward, between 2027 and 2029, the production of crude, NGPL, and other liquid products is expected to remain on an upward trend, averaging a 3.4% year-on-year growth per annum and reaching 5.1 mbpd in 2029, as per Fitch Solutions.

The production of refined products is also set to note a year-on-year increase of 3.0% between 2024 and 2025, reaching 1.1 mbpd in the latter. This increase is set to continue in 2026, with a year-on-year increase of 4.0% in production to reach circa 1.2 mbpd. Looking forward, between 2027 and 2029, the production of refined products is expected to remain on an upward trend, averaging a 2.3% year-on-year growth per annum and reaching 1.2 mbpd in 2029. However, compared to the consumption of refined products in the country, we note a production surplus in 2025 and 2026 of 202.3 thousand bpd and 210.4 thousand bpd, respectively. This trend is set to continue in 2027, with a production surplus of 216.7 thousand bpd expected during the year, reaching 220.5 thousand bpd in 2029.

The production of dry natural gas (DNG) is expected to note a year-on-year increase of 7.5% between 2024 and 2025, reaching 61.3 billion cubic meters (bcm) in the latter. This increase is set to continue in 2026, with a year-on-year increase of 5.1% in production to reach circa 64.4 bcm. Looking forward, between 2027 and 2029, the production of DNG is expected to remain on an upward trend, averaging a 5.1% year-on-year growth per annum and reaching 71.0 bcm in 2029. However, compared to the consumption of DNG in the country, we note a consumption-led deficit throughout the study period of 8.5 bcm in 2025, which is expected to narrow to 4.9 bcm in 2029, as per Fitch Solutions.

At the level of oil prices, the price of Brent reached an average of US$ 66.2 per barrel during 2025 as of mid-December. This figure denotes a year-on-year decrease of 10.4% from US$ 73.9 per barrel in the year prior. This decline came amid expectations of ample global oil supply and softer demand growth, as rising non-OPEC production, particularly from the United States, combined with relatively subdued global consumption weighed on prices. In parallel, easing geopolitical risk premiums and elevated market uncertainty further contributed to downward pressure on oil prices. As such, the oil market remained well supplied, with prices expected to stabilize at lower levels going forward, reflecting a more balanced but less favorable pricing environment for the sector.

Looking forward, the UAE's hydrocarbon sector is expected to remain supported by rising production capacity and continued investment across the oil and gas value chain, underpinning a broadly favorable medium-term outlook. Ongoing upstream and midstream developments, alongside stable refining activity, are set to sustain hydrocarbon output and support spillovers to the wider economy. These dynamics are expected to enhance the resilience of the sector and reinforce its contribution to overall economic activity. That said, downside risks persist, notably from global oil market volatility, evolving OPEC+ production policies, and longer-term energy transition pressures, which could weigh on global demand for hydrocarbons and temper growth prospects over the longer run.

1.1.2. Construction

The UAE's construction sector expansion expected to continue in 2026

The construction sector in the UAE is expected to continue expanding in 2026, supported by large infrastructure investment, continued expansion in non-hydrocarbon sectors, and government plans related to the energy transition and decarbonization.

At a detailed level, during the first half (H1) of 2025, the GDP contribution of the construction and real estate sectors in the UAE reached AED 140.8 billion (US$ 38.3 billion), noting a year-on-year growth of 7.3%

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from AED 131.2 billion (US$ 35.7 billion) in H1 2024. Additionally, looking at the contribution of these sectors to overall GDP, they accounted for 15.2% of total GDP in H1 2025, up by 0.5 percentage points from 14.7% in H1 2024.

According to the CBUAE, the UAE real estate market sustained strong momentum during the first half (H1) of 2025, with residential sales transactions rising by 23% year-on-year in Abu Dhabi and 18% year-on-year in Dubai. This strength was mainly supported by robust demand, reflecting the UAE's expanding population, particularly in Abu Dhabi, alongside heightened interest from foreign individual and institutional investors. In Abu Dhabi, villa sales transactions increased by 40% year-on-year, largely driven by the off-plan segment, while apartment sales recorded a solid 17% year-on-year increase in H1 2025. In Dubai, apartment transactions rose by 18% year-on-year, with villa sales also posting a 13% year-on-year increase. On pricing, residential sales prices in Abu Dhabi continued their upward trajectory, with apartment prices increasing by an estimated 14% year-on-year in Q2 2025, while villa prices grew by 11% year-on-year. In Dubai, apartment median prices per square meter remained broadly stable at around 4% year-on-year over the past four quarters ending Q2 2025, while villa price growth moderated over the last two quarters to 10% year-on-year in Q2 2025.

Looking at office rental rates in Abu Dhabi, the average cost of rent recorded US$ 36.4 per square meter (sqm) in 2025, showing a year-on-year increase of 6.9% against rental rates in 2024. These rates are set to increase by a further 3.8% in 2026, reaching US$ 37.7 per sqm. In Dubai, average office rental rates are also set to increase in both 2025 and 2026 by 7.8% and 10.3%, respectively, reaching US$ 48.2 per sqm in the latter. Sharjah's office rental rates are also expected to increase in both 2025 and 2026 by 9.0% and 7.0%, respectively, reaching US$ 25.1 per sqm in the latter. The net yield of office spaces across all three cities is set to remain stable between 2025 and 2026 and continue to be highest in Sharjah's office market, ranging from 6% to 8%, due to lower property values. Abu Dhabi follows closely behind at 5–8%, with Dubai at 5–7%.

Looking at retail rental rates in Abu Dhabi, the average cost of rent recorded US$ 61.6 per sqm in 2025, showing a year-on-year increase of 2.6% against rental rates in 2024. These rates are set to increase by a further 3.8% in 2026, reaching US$ 64.0 per sqm. In Dubai, average retail rental rates are also set to increase in both 2025 and 2026 by 12.8% and 5.2%, respectively, reaching US$ 58.5 per sqm in the latter. Sharjah's retail rental rates are also expected to increase in both 2025 and 2026 by 2.5% and 2.8%, respectively, reaching US$ 36.5 per sqm in the latter. Rental yields for retail spaces across all three cities are set to remain stable between 2025 and 2026, recording 7–9% in Abu Dhabi, 6–8% in Dubai, and 8–10% in Sharjah.

Looking at industrial rental rates in Abu Dhabi, the average cost of rent recorded US$ 15.5 per sqm in 2025, showing a year-on-year increase of 4.2% against rental rates in 2024. These rates are set to increase by a further 4.0% in 2026, reaching US$ 16.1 per sqm. In Dubai, average industrial rental rates are also set to increase in both 2025 and 2026 by 5.9% and 2.5%, respectively, reaching US$ 16.5 per sqm in the latter. Sharjah's industrial rental rates are also expected to increase in both 2025 and 2026 by 4.0% and 3.0%, respectively, reaching US$ 9.4 per sqm in the latter. Rental yields for industrial spaces across all three cities are set to remain steady between 2025 and 2026, with Dubai offering the most appealing range of 6–8%. Abu Dhabi and Sharjah follow at 6–7% and 5–7%, respectively, over the same period.

These developments were supported by the UAE's well-developed commercial real estate market and strong economic growth, alongside the country's position as a regional business and logistics hub. Government policies designed to make the UAE an attractive business and investment destination continue to support demand for commercial real estate, with demand skewed toward the premium end of the market.

In parallel, the industrial real estate sub-sector continues to benefit from the UAE's growing role as a global supply chain hub, with rising demand from e-commerce and third-party logistics operators for prime, bespoke stock. However, protracted global trade tensions and external macroeconomic pressures are weakening investor demand for relatively risky assets, such as real estate, weighing on demand for commercial property stock.

1.1.3. Transport

Sustained expansion in UAE's transport sector over the year 2025

The UAE's transport sector experienced a period of significant growth, innovation and strategic investment in 2025, fueled by the government's commitment to economic diversification, sustainability and technological advancement.

In details, the UAE's primary growth driver for rail infrastructure remains the US$ 11 billion Etihad Rail Project, a massive infrastructure project connecting major urban, industrial and port hubs for freight and future passenger services, forming part of the wider GCC rail network to boost trade, reduce road congestion and promote sustainable transport.

The railway infrastructure, which was completed in February 2023, is handling significant cargo and reducing road congestion. The railway line runs from the Saudi border across the UAE to Fujairah on the Indian Ocean coast. As for stations and other passenger-related facilities, they are currently under construction, with operations between Abu Dhabi and Dubai expected to be launched in 2026. Over the longer term, the project is expected to connect 11 cities across the seven Emirates.

In parallel, the 30-km Blue Line Metro in the UAE is a major expansion of the Dubai Metro, connecting key areas like Dubai Creek Harbour, Silicon Oasis and Academic City, with 14 stations, thus enhancing connectivity and easing congestion on existing lines. The project is expected to cost US$ 4.9 billion (AED 18.9 billion), with trial operations scheduled to start in 2028, and full commercial operations are scheduled to start in 2029. It's a significant project under Dubai's urban plan, managed by the Roads & Transport Authority (RTA).

Concurrently, the Hafeet Rail project is a major cross-border railway linking the UAE and Oman, connecting Etihad Rail's network at Al Ain to Oman's Sohar Port via Al Buraimi, a 238-km route crucial for trade and connectivity in the GCC. The railway would significantly reduce transit times and foster economic growth by integrating supply chains for freight and passengers, with construction underway, involving extensive infrastructure like bridges, tunnels and advanced systems. The testing and commissioning phases are officially scheduled to begin by early 2026. Passenger operations are also expected to be launched in 2026, coinciding with the wider rollout of the Etihad Rail passenger network across the UAE.

As for the development of ports in the country, the UAE continues to invest in port infrastructure to bolster its role as a shipping and logistics hub, which is a central component of the country's plan to diversify its economy from oil revenue in the long-term, as per Fitch Solutions. The UAE's two major ports at Khalifa and Jebel Ali have benefited from the country's location along major shipping corridors between Europe and Asia, as well as proximity to energy producers in the Middle East.

Additionally, a US$ 272 million (AED 1 billion) Memorandum of Understanding (MoU) was signed in June 2025 between the Department of Port & Customs Ajman (DPC) and global port operator Hutchison Ports to develop Ajman Port's infrastructure through a 15-year integrated plan in UAE. The project aims to attract global shipping lines, implement artificial intelligence-driven port operations and enhance trade and logistics.

Looking forward, there is a positive outlook for growth in the transport infrastructure sector in the UAE, driven by massive infrastructure investment, and a strong push toward advanced, sustainable and smart mobility solutions. Within this context, the UAE announced in November 2025 plans to invest US$ 46 billion (AED 170 billion) in transport and road projects over the next five years, as the country accelerates infrastructure development to meet growing population and mobility demands.

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1.1.4. Tourism

UAE's tourism sector experiencing buoyant activity in 2025

The UAE's tourism sector continued its expansionary path over the year 2025, as Abu Dhabi and Dubai, the two main tourist and business travel hubs of the market, are emphasizing investment in the development and diversification of their tourist markets in order to attract more visitors.

In details, the Dubai Tourism Board sustained its key strategy on developing attractions for families through theme parks, shopping and luxury hotels with extensive leisure facilities. Data from the Dubai Department of Economy and Tourism showed that the total number of international visitors in Dubai recorded a 5% year-on-year increase in the first nine months of 2025, when compared to the previous year. The top three source markets for Dubai were Western Europe, the GCC and South Asia, accounting for half of the 13.95 million international visitors.

Within this context, increased tourism levels had a positive impact on hotel Key Performance Indicators (KPIs). Dubai achieved an Average Daily Rate (ADR) of US$ 171.2 (AED 654.2) in the first nine months of 2025, with an average occupancy of 79.3%, generating a RevPAR of US$ 141.4 (AED 519.1). In terms of growth, ADR rose by 5.8% year-on-year in September 2025 and occupancy increased 2.7 percentage points, leading to a 10.3% y-o-y surge in RevPAR, as per Jones Lang LaSalle Incorporated (JLL).

On the other hand, Abu Dhabi's sustained economic diversification and tourism sector investments continued to drive strong hospitality performance. The capital's ADR over the first nine months reached US$ 168.9 (AED 620.4), with an occupancy of 79.5%, resulting in RevPAR of US$ 134.2 (AED 493.0). Abu Dhabi recorded exceptional growth rates in September 2025, where ADR surged by 19.2% y-o-y, occupancy increased 3.2 percentage points, and RevPAR expanded significantly by 23.1% y-o-y.

Concurrently, strategic diversification and expansion of Abu Dhabi's cultural offerings boosted visitations levels. According to the Department of Culture and Tourism latest data, in the first half of 2025, Abu Dhabi's cultural and heritage sites welcomed over 4 million visitors, marking a 47% increase compared to the same period in 2024.

Flagship institutions continued to thrive, with Louvre Abu Dhabi maintaining strong visitor numbers at 784,606 over the first half of 2025. The Cultural Foundation saw a substantial 49% increase, welcoming 620,709 visitors, while Qasr Al Hosn attracted 467,398 visitors, up by 14% in the first six months of 2025. Manarat Al Saadiyat experienced an impressive 139% jump in visitor numbers, reaching 207,684, and House of Artisans recorded 234,142 visitors, reflecting steady growth in Emirati crafts and heritage.

Further bolstering this strategic focus were newly opened sites in 2025, including the highly anticipated teamLab Phenomena Abu Dhabi, which attracted 145,912 visitors over the first half of 2025, and Al Maqtaa Museum, welcoming 30,974 visitors, thus demonstrating the continuous expansion of Abu Dhabi's cultural appeal.

All in all, the UAE has developed a strong strategy for increasing its attractiveness by diversifying the activities and attractions available to all kinds of tourists. In addition to new theme parks, museums and exhibition centers to be built in the two Emirates, there are a wider variety of budget accommodations attracting more short-term travelers, many of which use the cities as transit hubs for long-haul travel. An increase in the number of environmentally sustainable resorts and developments would also aim to attract a new segment of the tourist population, as per Fitch Solutions.

In a forward look, the UAE's international tourism receipts are forecasted to grow by 4.0% y-o-y in 2026 to US$ 46.6 billion, from an annual estimated growth of US$ 44.8 billion in 2025, due to proactive government strategies such as the "UAE Tourism Strategy 2031" and investment incentives, alongside with significant public and private investment in premium infrastructure including new hotels and transport networks. The country is also diversifying visitor experiences beyond traditional attractions to include cultural sites, wellness tourism, eco-tourism and major global events.

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1.2. EXTERNAL SECTOR

The UAE's external sector remains resilient amid solid growth and strong buffers

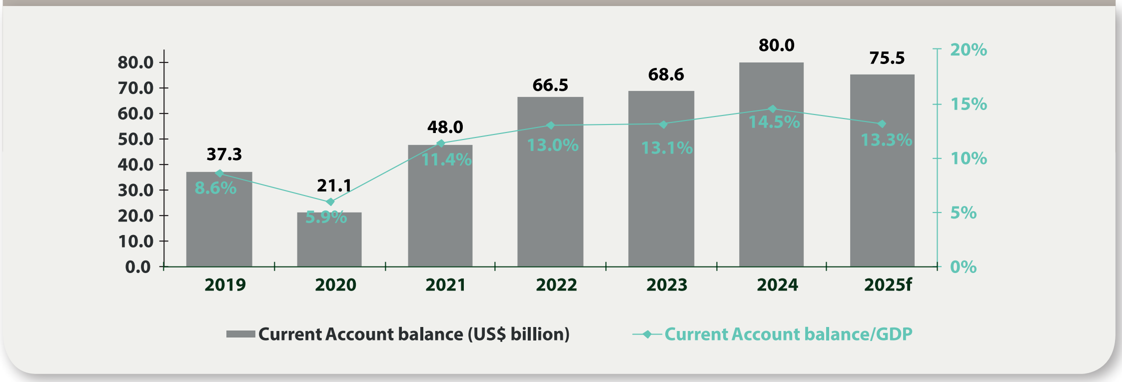
The United Arab Emirates (UAE)'s external sector remains on a solid footing in 2025, underpinned by strong macroeconomic fundamentals, sustained diversification momentum, and sizable external buffers. According to the International Monetary Fund (IMF), the UAE continues to benefit from robust non-hydrocarbon activity alongside a recovery in hydrocarbon output following the upward revision of OPEC+ production quotas. Against a backdrop of heightened global uncertainty and ongoing shifts in global trade and financial conditions, the IMF assesses the UAE's external position as comfortable, supported by prudent macroeconomic management, strong fiscal performance, and substantial reserve and sovereign wealth buffers.

At a detailed level, the UAE's non-oil foreign trade reached AED 1.7 trillion (US$ 470.3 billion) in the first half (H1) of 2025, recording a robust year-on-year increase of 24.0% compared to H1 2024, which itself marked a strong performance. Within this, non-oil exports emerged as the main growth driver, surging by 44.7% year-on-year to reach AED 369.5 billion (US$ 100.6 billion) in H1 2025 and accounting for 21.4% of total non-oil foreign trade, up from 18.4% in H1 2024. Re-exports continued their upward trajectory, increasing by 14.0% year-on-year to reach AED 389.0 billion (US$ 106.0 billion), while non-oil imports rose by 22.5% year-on-year to AED 969.3 billion (US$ 263.7 billion), reflecting strong domestic demand and expanding trade linkages. In this context, the IMF expects the direct impact of recent global trade policy measures on the UAE to remain limited, given the relatively small exposure of UAE exports to affected markets. At the same time, it notes that broader global trade developments could generate indirect spillovers through confidence and activity channels. Looking ahead, the continued expansion of Comprehensive Economic Partnership Agreements (CEPAs) is expected to further support trade diversification, resilience, and the UAE's positioning as a regional and global trade hub.

On the other hand, as per the IMF, the UAE's current account surplus is set to record US$ 75.5 billion in 2025, equivalent to 13.3% of GDP, down from US$ 80.0 billion (14.5% of GDP) in 2024. Looking ahead, the surplus is projected to moderate to US$ 73.7 billion (12.3% of GDP) in 2026, before gradually narrowing further over the medium term to reach US$ 71.0 billion (9.3% of GDP) by 2030. The IMF attributes elevated surplus levels in recent years to strong goods and services exports, improved net primary income reflecting the UAE's growing net creditor position, and sustained non-oil export growth. The expected moderation from 2025 onward reflects a normalization of oil prices, alongside rising imports driven by infrastructure investment and continued economic expansion. Nevertheless, the IMF expects non-oil exports to continue increasing over the medium term, supporting external sustainability amid ongoing diversification efforts.

At the level of foreign investment, FDI inflows into the UAE recorded US$ 45.6 billion in 2024, up by 48.7% from US$ 30.7 billion in 2023. FDI outflows reached US$ 23.4 billion, up by 4.8% year-on-year. As a result, net FDI inflows recorded a surplus of US$ 22.2 billion in 2024, marking a sharp improvement from US$ 8.4 billion in 2023, as per UNCTAD data. According to the IMF, the UAE continues to benefit from strong

CURRENT ACCOUNT BALANCE



Sources: IMF, Bank Audi's Group Research Department

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investor confidence, with capital flows and financial markets displaying relatively low sensitivity to global shocks compared to several peers, reflecting the country's stable macroeconomic environment and investor-friendly regulatory framework.

Looking at net international reserves at the Central Bank of the UAE (CBUAE), reserves reached AED 962.6 billion (US$ 262.1 billion) as of end-August 2025, marking an increase of 13.4% compared to AED 848.7 billion (US$ 231.1 billion) at end-2024. In parallel, the IMF assesses the UAE's external balance sheet as robust, supported by sizable central bank reserves and substantial sovereign wealth fund assets.

At the level of government debt, the IMF projects the government debt-to-GDP ratio to decline to 34.5% in 2025, down from 34.9% in 2024, before improving further to 32.4% in 2026. Over the medium term, the ratio is expected to continue declining, supported by strong nominal GDP growth, sustained fiscal performance, and prudent debt management.

Looking forward, the UAE's external position is set to remain underpinned by strong buffers, continued trade and investment diversification, and resilient macroeconomic fundamentals. Ongoing Comprehensive Economic Partnership Agreement (CEPA) implementation is expected to support external resilience and non-oil export growth, while the country's financial markets and capital flows have so far shown relatively low sensitivity to global shocks. That said, the IMF cautions that weaker global growth, tighter global financial conditions, and geopolitical fragmentation could weigh on tourism, capital flows, and oil prices. Over the medium term, risks related to climate change, cybersecurity, and heightened global uncertainty could pose challenges, underscoring the importance of maintaining strong policy buffers and continued reform momentum.

1.3. PUBLIC SECTOR

Narrowing fiscal surplus in 2025 amid higher government expenditure and moderated revenue growth

The UAE pursued an expansionary fiscal policy over the year 2025, strategically focused on fiscal stimulus and regulatory reforms to solidify its position as a global economic and technology hub and meet its long-term economic diversification goals under the "We the UAE Vision 2031".

Government revenues expanded from AED 403.0 billion (the equivalent of US$ 109.7 billion) in the first nine months of 2024 to AED 408.5 billion (the equivalent of US$ 111.2 billion) in the first nine months of 2025, up by 1.4% year-on-year, as per the latest figures released by the Ministry of Finance. This is mainly explained by a 26.1% year-on-year expansion in "other revenues", moving from AED 118.5 billion in the first nine months of 2024 to AED 149.4 billion in the first nine months of 2025, mainly reflecting the phasing out of OPEC+ production cuts and rising hydrocarbon exports. Concurrently, social contributions rose by 7.9% year-on-year, moving from AED 12.6 billion in the first nine months of 2024 to AED 13.6 billion in the first nine months of 2025. In contrast, tax revenues contracted by 9.7% year-on-year, moving from AED 272.0 billion in the first nine months of 2024 to AED 245.5 billion in the first nine months of 2025, mainly due to a combination of transitional tax relief measures and timing effects related to the new corporate tax regime. Within this context, the IMF expects general government revenues to reach 28.4% of GDP in 2025, compared to 27.8% of GDP in 2024.

On the spending front, government expenditures registered a year-on-year increase of 11.8%, moving from AED 286.9 billion (or US$ 78.1 billion) in the first nine months of 2024 to AED 320.8 billion (or US$ 87.4 billion) over the same period of 2025. The "use of goods and services" expanded by 15.5% year-on-year, moving from AED 87.8 billion in the first nine months of 2024 to AED 101.4 billion in the first nine months of 2025. This is primarily driven by robust economic growth, especially in the non-hydrocarbon sectors, and a corresponding surge in consumer and investor confidence. The compensation of employees increased by 5.5% year-on-year, moving from AED 92.1 billion in the first nine months of 2024 to AED 97.2 billion in the first nine months of 2025. This is primarily driven by investment in high-value public sector roles like digital transformation, Artificial Intelligence, and sustainability to align with national goals, in addition to Emiratisation incentives and pay parity, and headcount growth.

Besides, social benefits rose by 7.7% year-on-year, moving from AED 54.0 billion in the first nine months of 2024 to AED 58.1 billion in the first nine months of 2025. Other expenses more than doubled year-on-year, moving from AED 12.0 billion in the first nine months of 2024 to AED 27.2 billion in the first nine months of 2025. Interests increased by 3.4% y-o-y, moving from AED 10.7 billion in the first nine months of 2024 to AED 11.1 billion in the same period of 2025. Grants went up by 31.6% year-on-year to reach AED 1.1 billion in the first nine months of 2025 against AED 0.8 billion in the first nine months of 2024. In contrast, Subsidies contracted by 19.7% year-on-year, moving from AED 22.2 billion in the first nine months of 2024 to AED 17.8 billion in the first nine months of 2025. The consumption of fixed capital declined by 3.5% year-on-year, moving from AED 7.3 billion in the first nine months of 2024 to AED 7.0 billion in the first nine months of 2025.

That being said, the overall UAE government net lending/borrowing surplus contracted significantly by 35.4% year-on-year, moving from AED 95.5 billion (or US$ 26.0 billion) in the first nine months of 2024 to AED 61.7 billion (or US$ 16.8 billion) in the first nine months of 2025, mainly due to an expansionary fiscal policy aimed to accelerate economic diversification and structural growth.

Finally, the IMF encouraged the authorities to continue to advance structural fiscal reforms to strengthen the medium-term fiscal framework and policy effectiveness, and commended continued fiscal prudence and revenue diversification, balancing fiscal sustainability and development objectives. The Fund welcomed broadening the tax base including the recent implementation of the CIT and improving the non-hydrocarbon fiscal balances, while underscoring the importance of continuing to strengthen fiscal policy coordination to help ensure a consistent overall fiscal stance and more effective policymaking, including through a more active role for the Fiscal Policy Coordination Council.

1.4. FINANCIAL SECTOR

1.4.1. Monetary Situation

Inflation remains contained in 2025 in line with further expansion in international reserves

The year 2025 in the UAE saw further interest rate cuts, mirroring the US Federal Reserve's monetary easing, given the Dirham's peg to the US dollar, which continues to provide a credible policy anchor and contributed to stabilizing inflation, while strong foreign capital inflows resulted into a further expansion in gross international reserves over the year.

Latest monthly CPI figures released by the UAE Federal Competitiveness and Statistics Authority showed that consumer prices rose by 0.7% year-on-year in August 2025. A breakdown by sector for the Consumer Price Index showed that the housing, water, electricity & gas sector registered the largest yearly price expansion of 3.6% in August 2025, followed by the "insurance and financial services" sector (+3.1%), the miscellaneous goods and services sector (+2.6%), the furniture and household goods sector (+2.3%), the tobacco sector (+1.8%), the education sector (+1.6%), the restaurants and hotels sector (+1.1%) and the medical care sector (+0.2%). In contrast, the transportation sector registered the largest yearly price contraction of 5.1% in August 2025, followed by the textiles, clothing and footwear sector (-3.3%), the food and beverages sector (-0.8%), the recreation and culture sector (-0.4%) and the communications sector (-0.2%). Within this context, the IMF expects inflation in the UAE to remain contained, averaging 1.6% in 2025 (against an average of 1.7% in 2024), and around 2.0% over the medium term, with housing-related costs being the main source of price pressures.

Monetary aggregates in the UAE remained in an expansionary mode over the first nine months of 2025. The narrowest measure of money supply (M1), which consists of currency in circulation outside banks plus monetary deposits in local currency with banks, expanded by 9.1% during the first nine months of 2025, moving from US$ 257.7 billion at end-2024 to US$ 281.2 billion at end-September 2025. This followed a 14.1% expansion in M1 in 2024. The broader money supply (M2), which consists of Money Supply (M1) plus quasi-monetary deposits, grew by 11.8%, moving up from US$ 630.4 billion at end-2024 to US$ 705.1 billion at end-September 2025

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(up by US$ 74.6 billion). The counterparts of money supply show that net international reserves expanded by US$ 59.8 billion over the first nine months of 2025. This resulted from a US$ 32.2 billion rise in net international reserves at the Central Bank of the UAE amid a US$ 31.9 billion rise in gross international reserves at the Central Bank and a US$ 0.3 billion retreat in foreign liabilities at the CBUAE, while net foreign assets at banks grew by US$ 27.6 billion. Concurrently, net domestic assets expanded by US$ 14.9 billion over the first nine months of 2025.

Given a decades-long UAE dirham peg to the US dollar at AED 3.6725, the base rate applicable to overnight deposit facility, which provides an effective interest rate floor for overnight money market rate in the UAE, was cut three times over the September-December 2025 period, by a total of 75 basis points, reaching 3.65% at year-end. This followed the US Federal Reserve's lead in easing monetary conditions, amid weakening US Labor market and rising US unemployment rate. Concomitantly, the CBUAE maintained the interest rate applicable to borrowing short-term liquidity from the CBUAE at 50 basis points above the Base Rate for all standing credit facilities.

With the UAE experiencing strong foreign capital inflows, reflecting favourable commodity revenues (oil and gas), safe haven flows, and investment drawn by social and business-friendly reforms (like full foreign ownership, advanced visa programs and new Comprehensive Economic Partnership Agreements), the Central Bank's gross international reserves expanded further by 13.4% over the first nine months of 2025 or the equivalent of US$ 31.9 billion, moving from US$ 238.2 billion at end-December 2024 to US$ 270.1 billion at end-September 2025. This came within the context of a US$ 98.6 billion growth in "foreign investments", while "current account balances & deposits with banks abroad" contracted by US$ 64.7 billion and "other foreign assets" declined by US$ 2.1 billion in the first nine months of 2025. When excluding foreign liabilities, the Central Bank's net international reserves reached US$ 263.3 billion at end-September 2025, up by 13.9% relative to end-2024. Accordingly, the Central Bank's net international reserves coverage ratio to money supply (M1) and Dirham deposits reached 48.5% at end-September 2025, down from 48.8% at end-December 2024.

Finally, the IMF sees that the enhancements to the Dirham Monetary Framework, with the introduction of new liquidity management facilities, upgraded forecasting and market monitoring techniques, and helped improving liquidity management and reducing the spread between the Dirham Overnight Index Average (DONIA) and the Base Rate to further strengthen monetary policy transmission. Concurrently, the introduction of the Shari'ah compliant overnight deposit facility (Overnight Murabaha Facility) in the second quarter of 2025 significantly contributed to the narrowing of the DONIA-Base Rate spread. The IMF also noted that the surplus liquidity resulting from net capital inflows should continue to be absorbed through M-Bills (including the planned issuance of sustainable M-Bills).

UAE MONETARY FLOWS

Flows in US$ million	**2020**	**2021**	**2022**	**2023**	**2024**	**9M-25**
Net international reserves	**7,947**	**28,954**	**65,385**	**77,507**	**82,877**	**59,790**
Central Bank (net)	-3,587	23,171	2,927	53,514	47,724	32,213
Gross international reserves	-1,659	24,417	7,318	51,051	48,700	31,941
Foreign Liabilities	1,928	1,246	4,391	-2,463	976	-271
Banks (net)	**11,534**	**5,783**	**62,458**	**23,993**	**35,154**	**27,577**
Foreign Assets	21,235	22,898	70,213	33,347	70,438	108,602
Foreign Liabilities	9,701	17,115	7,755	9,354	35,285	81,025
Net Domestic Assets	**9,872**	**-5,967**	**-27,100**	**9,425**	**-3,277**	**14,854**
Claims on private sector	-8,353	4,734	13,023	20,348	28,639	35,508
Net claims on public sector	20,102	1,741	-32,970	-2,100	-3,479	-7,736
Claims on financial institutions	636	-435	-255	1,279	-1,182	990
Capital & Reserves	-420	-2,496	-2,958	-20,493	-15,340	-13,413
Other Items (net)	-2,093	-9,511	-3,940	10,391	-11,914	-495
Broad Money (M2)	**17,819**	**22,987**	**38,285**	**86,933**	**79,600**	**74,644**
Money Supply (M1)	23,145	27,718	9,723	24,969	31,879	23,537
Quasi-Money	-5,326	-4,731	28,561	61,964	47,721	51,107

Sources: Central Bank of UAE, Bank Audi's Group Research Department

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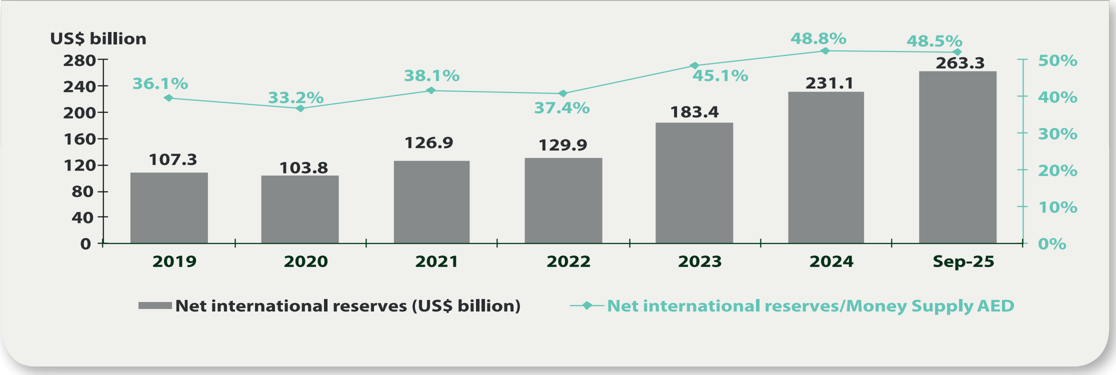
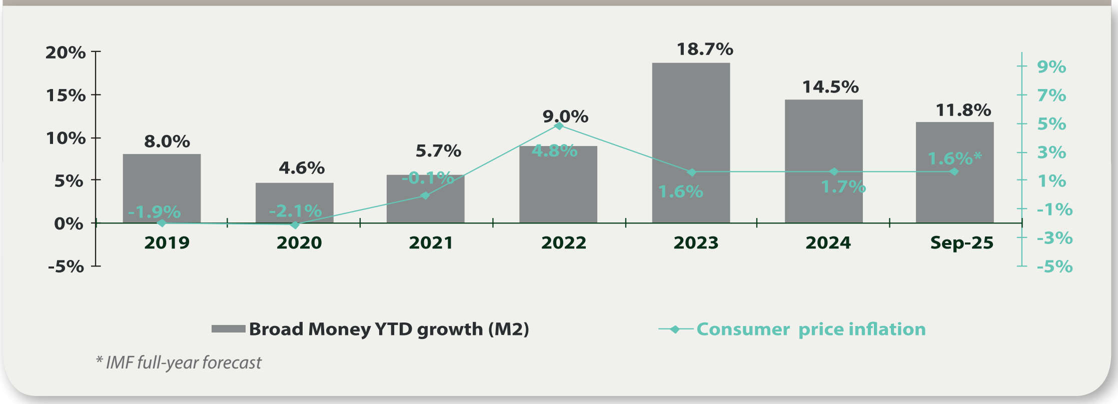
EXCHANGE MARKET INDICATORS



Sources: Central Bank of UAE, Bank Audi's Group Research Department

BROAD MONEY AND INFLATION



Sources: Federal Competitiveness and Statistics Center, IMF,, Bank Audi's Group Research Department

1.4.2. Banking Activity

A noticeably good year for the UAE banking sector

The year 2025 was a good year for the UAE banking sector. Measured by the aggregation of assets of operating banks, banking activity grew by 14.1% over the first nine months of the year to reach US$ 1,416 billion, the equivalent of 248.8% of GDP, one of the high ratios worldwide for the banking dimension relative to economic dimension. Likewise, deposits increased by 11.9% over the first nine-month period to reach US$ 867 billion. As to loans to the private sector, they rose by 9.5%, moving from US$ 365 billion in December 2024 to US$ 400 billion in September 2025.

With respect to capitalization, the sector's shareholder equity reported US$ 155 billion in September 2025 (11.0% of total assets), up by 6.8% year-to-date. The banks' average capital adequacy ratio, denoting total capital to risk weighted assets, reported 17.4% as of end-September 2025, testifying of strong solvency level for the UAE banking sector.

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At the profitability level, aggregate net profit for the full year 2025 continues expanding. However, return on assets will remain strained as declining policy rates are likely to compress margins further. Similarly, the gradual uptick in impairment costs will persist as banks adjust their provisioning charges to the new Credit Risk Management Standards (CRMS) that took effect in late 2024. Additionally, while business growth will support unfunded income, returns will be challenged by continuous investment in digital transformation and a heavy tax burden for multinational banks.

According to Moody's, the four largest banks in the United Arab Emirates holding around 73% of the banking system's total assets, reported a combined net profit of AED32 billion for the first half of 2025, up 6% year over year. The uptick was mainly driven by robust non-funded profit, as well as sustained single-digit growth in net interest income (NII), despite the three rate cuts initiated since September 2024. Together, these factors outweighed higher operating expenses and impairment charges, as well as greater tax liabilities. However, aggregate return on assets for the four largest banks in the UAE eased as rate and tax burden begin to surface. Going forward, UAE banks' 2025 net profits are expected to continue to expand yet returns on assets will remain constrained by lower interest rates, higher provisioning charges and increased tax bill.

Strong growth opportunities locally and across the region, coupled with compressed funding costs, supported net interest income, which grew by 6% year over year as per Moody's. Nonetheless, aggregate reported net interest margin slightly narrowed to 2.4% from 2.5% a year earlier, driven by a contraction in asset yields amid declining interest rates coupled with a 12% year over year growth in interest earning assets.

As per Moody's, the four banks' combined non-interest income grew 28% year over year, reflecting robust market performance, strong growth in net fees and commissions as well as higher one-off gains reported during the period. While combined operating expenses increased 10% year over year, the cost-to-income ratio edged lower to 27% from 28% a year earlier. This was because higher earnings more than offset the rise in costs.

With respect to asset quality, following a substantial reduction last year driven by strong recoveries that resulted in significant reversals, the four banks' combined loan loss provisioning charges are increasing. As a result, the banks' aggregate cost of risk rose to 36 basis points (bps) in the first half of 2025 from 12 bps in the same period last year.

Although aggregate net income rose by 6%, major lenders are facing obstacles in sustaining prior years' asset efficiency due to pressure on top-line profitability from lower interest rates, normalising provisioning charges and an increased tax burden. Consequently, large UAE banks reported an aggregate return on assets at 1.8% for the first half of the year, down 20 bps from that in 2024.

EVOLUTION OF BANKING AGGREGATES

US$ billion	2020	2021	2022	2023	2024	Sep-25
Total assets	868.1	904.4	998.7	1,108.5	1,241.4	1,415.9
% YTD growth in assets	3.4%	4.2%	10.4%	11.0%	12.0%	14.1%
Total deposits	513.2	543.6	605.1	686.7	775.2	867.5
% YTD growth in deposits	0.8%	5.9%	11.3%	13.5%	12.9%	11.9%
Total bank loans to the private sector	301.8	305.2	319.4	337.7	365.3	400.2
% YTD growth in bank loans to the private sector	-2.3%	1.1%	4.7%	5.7%	8.2%	9.5%

Sources: Central Bank of UAE, Bank Audi's Group Research Department

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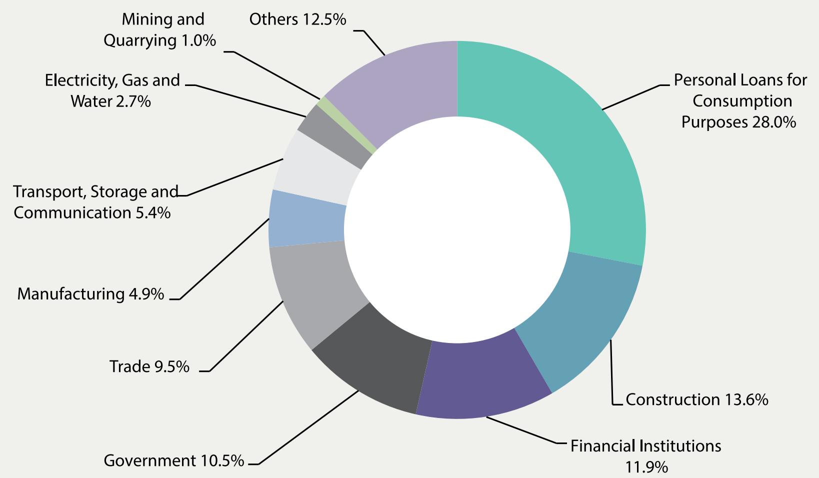
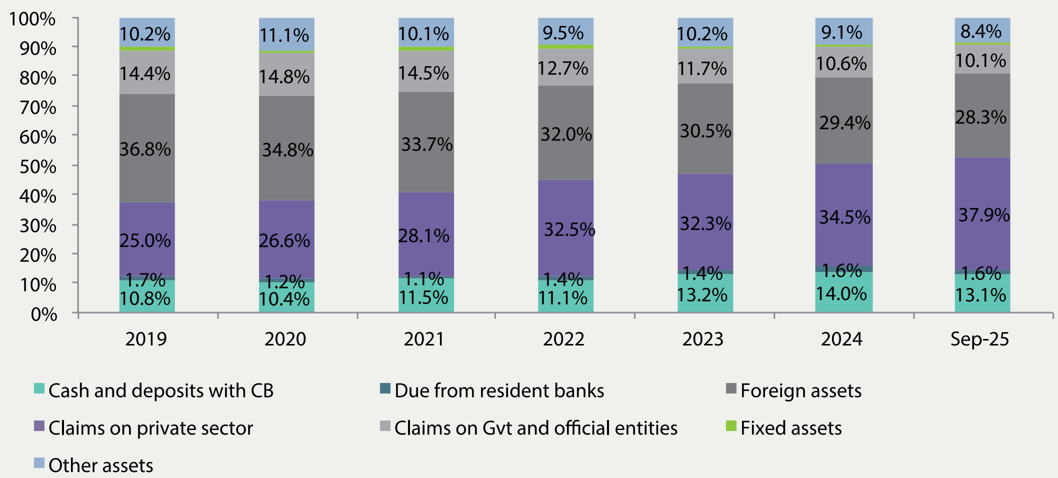
BANK CREDIT TO RESIDENTS BREAKDOWN BY ECONOMIC ACTIVITY



*September 2025 figures

Sources: Central Bank of UAE, Bank Audi's Group Research Department

ASSET COMPOSITION (% OF TOTAL ASSETS)



Sources: Central Bank of UAE, Bank Audi's Group Research Department

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1.4.3. Equity and Bond Markets

Price gains across UAE capital markets in 2025

Activity on the UAE equity markets was skewed to the upside over the first eleven months of 2025, mainly supported by robust non-oil economy, booming realty sector and significant international capital inflows. Concurrently, the UAE fixed income markets saw across-the-board price gains, mainly tracking US Treasuries move given the US Fed's monetary easing policy.

The UAE equity markets registered decent price gains and an increase in activity over the first eleven months of 2025. This is mainly driven by:

1. Continuous expansion in the non-oil economy at a solid pace: the seasonally adjusted S&P Global UAE Purchasing Managers' Index -a composite indicator designed to give an accurate overview of operating conditions in the non-oil private sector economy- reached a nine-month high of 54.8 in November 2025, up from 53.8 in October and above its long-run average (54.3). UAE non-oil private sector activity expanded at the quickest pace for 11 months in November, as robust market conditions boosted new business.

2. Property Market Boom: the UAE real estate market continued to perform strongly across residential, office, and mixed-use sectors over the year 2025. This momentum is driven by solid economic conditions, growing investor confidence, and one of the world's most active development pipelines. Abu Dhabi remains on a stable long-term growth trajectory, supported by rising demand and ongoing infrastructure investment, while Dubai continues to see unprecedented expansion with multiple projects underway. Dubai's real estate market extended its record run in 2025, with November pushing both sales volumes and values beyond last year's full-year peaks. In fact, total deals for the first 11M in Dubai reached 197,263, surpassing the previous annual high of 180,900 set in 2024, with one month still to go.

3. Strong Financials: The Financials sector (around 37% of the DFM's market cap) reported solid earnings in 2025, supported by improved asset quality and high capital adequacy ratios. Leading banks contributed significantly to the index's rise.

4. Strong foreign and institutional capital inflow into the UAE equity markets: International investors registered total net buying of US$ 5.9 billion across the UAE's markets (ADX and DFM) in the first nine months of 2025, positioning the UAE as the largest recipient of foreign capital in the GCC for the period.

The Abu Dhabi Securities Exchange saw increased activity over the first eleven months of 2025, and registered year-to-date price rebounds. FTSE ADX general index expanded by 3.5% over the first eleven months of 2025, moving from 9,419.00 at end-2024 to 9,747.14 at end-November 2025. The breakdown of the FTSE ADX general index by sector during the first eleven months of 2025 shows that the telecommunications sector registered the largest price gain of 10.1%, followed by the real estate sector with +7.7%, the financials sector with +7.1% and the basic materials sector with +2.5%. In contrast, the consumer staples sector recorded the highest price drop of 41.6% over the first eleven months of 2025, followed by the healthcare sector with -24.4%, the consumer discretionary sector with -17.3%, the industrial sector with -12.6%, the utilities sector with -3.7% and the energy sector with -1.3%.

The Abu Dhabi Securities Exchange saw de-listings over the first eleven months of 2025, with the number of listed companies moving from 96 companies at end-2024 to 94 companies at end-November 2025. On the backdrop of price expansions and de-listings, the market capitalization on the Abu Dhabi Securities Exchange rose by 6.0% over a twelve-month period, moving from US$ 758.8 billion at end-November 2024 to US$ 803.9 billion at end-November 2025.

The total trading value on the Abu Dhabi Securities Exchange expanded by 26.8% during the first eleven months of 2025 when compared to the same period of 2024 to reach US$ 80.1 billion. The total number of traded shares reached 78.7 billion shares over the first eleven months of 2025 against 59.2 billion shares

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during the same period of 2024 (up by 32.8%). The total number of trades expanded by 28.0% year-on-year, moving from 3,888,402 during the first eleven months of 2024 to 4,976,051 during the first eleven months of 2025. Within this context, the turnover ratio, measured by the annualized trading value to market capitalization, reached 10.9% during the first eleven months of 2025 as compared to 9.1% over the corresponding period of 2024.

The Dubai Financial Market witnessed an extended price rally and increased activity over the first eleven months of 2025. The DFM General Index jumped by 13.1% during the first eleven months of 2025, moving from 5,159.00 at end-2024 to 5,837.00 at end-November 2025.

The breakdown of the DFM General Index by sector during the first eleven months of 2025 shows that the communication services sector registered the highest index surge of 26.7%, followed by industrial sector with +24.4%, the materials sector and the financial sector with +19.2% each, and the real estate sector with +10.0% In contrast, the consumer discretionary sector registered the largest index drop of 23.9%, followed by the utilities sector with -4.6% and the consumer staples sector with -3.8%.

The Dubai Financial Market was marked by increased activity over the first eleven months of 2025, as shown by a yearly expansion in the total turnover of 81.0% to reach US$ 44.1 billion, noting that the "financials sector" and the "real estate sector" captured 62.6% of the total. The total number of traded shares reached 60.0 billion shares over the first eleven months of 2025 against 43.9 billion shares during the same period of 2024, up by 36.7%. The total number of trades was quoted at 3,100,387 during the first eleven months of 2025 versus 2,237,419 during the same period of 2024, up by 38.6%. The market capitalization on the Dubai Financial Market rose from US$ 217.5 billion at end-November 2024 to US$ 257.7 billion at end-November 2025, up by 18.5%. Within this context, the turnover ratio, measured by the annualized trading value to market capitalization, rose from 12.2% over the first eleven months of 2024 to 18.6% over the corresponding period of 2025.

Concomitantly, the UAE fixed income markets saw across-the-board price gains so far in 2025, mainly tracking US Treasuries move as the US Federal Reserve delivered three interest rate cuts over the September-December period amid weakening US Labour market and rising US unemployment rate.

In the Dubai credit space, sovereigns maturing in 2030 and 2050 posted year-to-date price gains of 4.91 pts and 3.70 pts respectively. DP World'30 and '49 closed up by 3.45 pts and 3.42 pts respectively. Majid Al Futtaim'29 saw price rises of 2.54 pts. As to papers issued by financial institutions, Emirates NBD'27 registered price increases of 0.27 pt. As to the cost of insuring debt, Dubai's five-year CDS spreads reached 50 bps at the time of writing this report compared to 64 bps at end-December 2024.

In the Abu Dhabi credit space, sovereigns maturing in 2027, 2030, 2034 and 2050 posted price gains ranging between 2.95 pts and 5.23 pts so far this year. Mubadala papers maturing in 2028, 2030, 2034, 2041 and 2050 registered price rises of 2.48 pts to 4.82 pts. Taqa'28, '30 and '36 traded up by 4.41 pts, 3.54 pts and 5.21 pts respectively. Prices of ADNOC'29 expanded by 3.87 pts. Aldar'33 posted price gains of 2.85 pts. Amongst financials, First Abu Dhabi Bank'28, '29 and '35 saw price expansions of up to 2.61 pts. As to the cost of insuring debt, Abu Dhabi's five-year CDS spreads reached 28 bps at the time of writing this report as compared to 43 bps at end-December 2024, remaining the lowest in the MENA region along with Qatar's 5-year CDS spread.

In the UAE credit space, sovereigns maturing in 2031, 2033, 2041 and 2052 posted price expansions of up to 6.44 pts so far this year.

Regarding new bond issues, Abu Dhabi raised US$ 3 billion in September 2025 from the sale of a dual-tranche bond. The first tranche consisted of US$ 1 billion three-year bonds at 10 bps over US Treasuries against an initial price guidance of 40 bps over UST. The orderbook size exceeded US$ 5.5 billion. The second tranche consisted of US$ 2 billion 10-year bonds at 18 bps over US Treasuries against an initial price guidance of 55 bps over UST. The bond sale attracted more than US$ 9.5 billion in orders.

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As to credit ratings, Fitch Ratings affirmed in June 2025 the UAE's long-term foreign currency Issuer Default Rating at "AA-" with a "stable" outlook. The "AA-" rating reflects the UAE's moderate consolidated government debt, strong net external asset position and high GDP per capita. This benefits from Abu Dhabi's (AA/Stable) sovereign net foreign assets (157% of UAE GDP in 2024), which are among the highest of Fitch-rated sovereigns. These strengths are balanced by weak governance indicators relative to rating peers, the UAE's high dependence on hydrocarbon income and the significant leverage of government-related entities (GREs), as per Fitch.

In the coming period, the Federal Debt Management Office plans to move from building the foundation of the domestic debt market to completing its structure, which would allow the market to support more complex, long-duration financial activity. In fact, while the Dirham-denominated Treasury bonds and Sukuk issued by the Federal Debt Management Office represent the cornerstone of the UAE's strategy to build and deepen its domestic capital markets, the introduction of longer-dated instruments (with tenors of 10, 15, and 20 years) would help completing the long end of the domestic yield curve , which is necessary for pricing long-term financing operations, such as infrastructure projects.

ABU DHABI CAPITAL MARKETS INDICATORS

	2020	2021	2022	2023	2024	Nov-25
Market capitalization (in US$ billion)	198.3	425.9	693.8	782.1	785.6	803.9
Trading value (in US$ billion)	17.5	88.9	95.4	70.6	68.1	80.1
Turnover ratio	8.8%	20.9%	13.7%	9.0%	8.7%	10.9%
Trading volume (in millions of shares)	18,395	51,938	58,942	47,415	63,671	78,671
Number of transactions	501,904	1,260,695	2,547,904	3,030,688	4,226,249	4,976,051
General share price index	5,045	8,488	10,211	9,578	9,419	9,747
YTD % Change in share price index	-0.6%	68.2%	20.3%	-6.2%	-1.7%	3.5%
5-Year CDS spreads (bps)	38	43	44	41	43	28

Sources: Abu Dhabi Securities Exchange, Bloomberg, Bank Audi's Group Research Department

DUBAI CAPITAL MARKETS INDICATORS

	2020	2021	2022	2023	2024	Nov-25
Market capitalization (in US$ billion)	83.7	109.7	158.5	187.2	246.9	257.7
Trading value (in US$ billion)	16.5	17.9	24.5	27.5	29.1	44.1
Turnover ratio	19.8%	16.3%	15.5%	14.7%	11.8%	18.6%
Trading volume (in millions)	58,155	45,051	38,531	52,547	51,851	60,047
Number of transactions	874,406	796,023	1,443,852	1,916,437	2,550,223	3,100,387
General share price index	2,492	3,196	3,336	4,060	5,159	5,837
YTD % Change in share price index	-9.9%	28.2%	4.4%	21.7%	27.1%	13.1%
5-Year CDS spreads (bps)	112	94	84	62	64	50

Sources: Dubai Financial Market, Bloomberg, Bank Audi's Group Research Department

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CONCLUSION

Looking forward, the UAE is expected to remain resilient to global policy uncertainty. Ongoing efforts to expand Comprehensive Economic Partnership Agreements will further bolster resilience and support diversification, while financial markets and capital flows continue to demonstrate resilience to global shocks, reflecting strong investor confidence.

The economic outlook yet remains subject to external risks, including oil price volatility, geopolitical uncertainty, and disruptions to global trade as per the World Bank. Global financial conditions and prevailing uncertainty may present additional challenges. At the same time, fiscal buffers, targeted investment, and structural reforms are expected to underpin stability and resilience over the medium term.

At the external level, supported by substantial external reserves and sizeable sovereign wealth fund assets, the current account surplus is projected to remain at sustainable levels, reaching 6.5% in 2026, though narrowing relative to 2025 as oil prices stabilize and imports rise.

At the monetary level, inflation is expected at around 2% over the medium term as per IMF. Housing costs are expected to be the main source of price pressures, raising potential affordability concerns, while tradables remain subdued. Risks to the outlook are broadly balanced, underpinned by strong sovereign buffers and diversification efforts.

At the fiscal level, the UAE's fiscal stance remains prudent. Fiscal policy is anchored in medium-term diversification and developmental objectives, with ample sovereign buffers to cushion against adverse shocks. The non-hydrocarbon primary deficit is expected to gradually improve over the medium term, supported by the implementation of the corporate income tax and other indirect tax reforms. While the emirates set their fiscal policies independently, their economic cycles are closely correlated due to strong interlinkages and exposure to common shocks. A wider scope for fiscal policy coordination between the federal and local governments would enhance consistency and lead to more effective policy making.

The oil sector will continue to be the main anchor for fiscal and external balances, underpinning macroeconomic stability. Over the medium term, the fiscal surplus is projected to stay strong at around 4.6% of GDP as per the World Bank, underpinned by sustained oil revenues from rising hydrocarbon exports. Ongoing tax policy reforms are expected to strengthen the revenue base, enhance international tax alignment, and support the accumulation of fiscal buffers. According to the IMF, UAE's debt to GDP ratio is set to remain contained at below 30% in the medium term (26.6% by the year 2030).

When assessing the outlook of the UAE economy, it is important to address the key strengths and major weaknesses facing the economy. At the level of strengths, we mention the high GDP per capita and relatively large, the competitive and diverse economy, the very low federal government debt burden and limited fiscal risks and the effective institutions and policymaking that underpin its shock absorption capacity. Among challenges, we mention the persistent regional geopolitical tensions, the economic and financial exposure to longer-term carbon transition risks and the shortcomings in data disclosure and policy transparency relative to similarly rated peers. While challenges are material, we believe opportunities outpace threats at the horizon.

In its last Article IV Consultation mission report, the IMF says the UAE's growing role as a global hub for virtual assets should be supported by continued strong coordination among regulators to monitor risks and developments. Ongoing efforts to continue alignment with international regulatory standards and strengthen supervisory capacity are welcome and will be critical to safeguarding financial stability while promoting responsible innovation. According to the Fund, the government's reform agenda continues to strengthen diversification and medium-term growth through investments in technology, infrastructure, and services, supported by modernization of public services and the business environment. Climate adaptation, water management, and food security should also remain long-term policy priorities at large.