

# NEWSLETTER

November 2025



## Key Highlights

- On 29<sup>th</sup> October 2025, the U.S. Fed cut its policy rate by 25 bps to new target range of 3.75%-4.00%, acknowledging cooling job market.
- The CBUAE followed the move and lowered its Base Rate by 25 bps, from 4.15% to 3.90%.
- The UAE's non-oil private sector experienced its strongest growth in seven months in September 2025, primarily due to a sharp rebound in new orders. Inventories, however, declined for the third consecutive month.
- The UAE's 2025 real GDP growth projection in IMF's October update was revised to 4.8% (up from 4.0% in May projections), placing it significantly above the global average growth of 3.2%.
- Robust performance of non-oil sectors (like tourism and construction) combined with an anticipated rebound in oil output as OPEC+ production increases, were key drivers for UAE's positive outlook for 2025.



## Key Economic Indicators

Monthly economic indicators	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	2025e	2026f
Interest rates (UAE Policy rate)	4.9%	4.65%	4.4%	4.4%	4.4%	4.4%	4.4%	4.4%	4.4%	4.4%	4.4%	4.15%	3.9%	3.6%	3.4%
Credit growth, y/y	10.2%	8.5%	9.5%	9.5%	9.5%	9.4%	9.5%	10.4%	11.1%	12.6%	14.4%	-	-	10%	-
Deposit growth, y/y	14.1%	14.7%	12.9%	11.8%	10.2%	10.5%	9.1%	12.7%	13.1%	12.6%	14.2%	-	-	-	-
IHS Markit, PMI Composite	54.1	54.2	55.4	55.0	55.0	54.0	54.0	53.3	53.5	52.9	53.3	54.2	-	-	-
Dubai inflation, y/y change	2.38%	3.01%	2.89%	3.22%	3.15%	2.79%	2.31%	2.37%	2.37%	2.88%	2.43%	2.88%	-	-	-
Abu Dhabi inflation, y/y change	-0.8%	-0.1%	0.3%	0.2%	0.8%	0.1%	-0.1%	-0.6%	-0.7%	0.1%	-0.5%	0.2%	-	-	-
Dubai General Index (DFMGI)	1.9%	5.6%	6.4%	0.4%	2.6%	-4.2%	4.1%	3.3%	4.1%	7.9%	-1.6%	-3.7%	3.8%	-	-
FTSE ADX General Index	-1.0%	-1.0%	2.0%	1.8%	-0.2%	-2.0%	1.8%	1.6%	2.8%	4.1%	-2.7%	-0.8%	0.9%	-	-

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

- The UAE's non-oil private sector witnessed strongest growth in seven months in September 2025, as the S&P PMI rose to 54.2 from August's 53.3. This surge was primarily driven by a sharp rebound in new orders, which recovered from a four-year low, resulting in improving employment levels. While this indicates strengthening domestic demand, firms maintained a cautious approach as inventories declined for third consecutive month.
- On 29<sup>th</sup> October 2025, the U.S. Federal Reserve cut its policy rate by 25 bps, to new target range of 3.75%-4.00%, as concerns over a stalling job market loomed. However, Fed officials cautioned against further rate cuts this year owing to lack of key economic data amid the US government shutdown.
- Following the Fed's rate cut, the CBUAE also lowered its Base Rate by 25 bps, from 4.15% to 3.90%.
- Other GCC banks also mirrored the US Fed's move by lowering key interest rates, which is anticipated to inject cheaper capital into the market. The resulting higher liquidity and lower financing expenses are expected to boost

investment momentum in key diversification sectors like real estate and non-oil industries.

- Consumer price inflation (CPI) in Dubai increased to 2.88% y/y in September 2025 compared to 2.43% in the previous month. This was primarily driven by a higher growth in prices in Food and Beverages (11.7% weight) and

Transport (9.3% weight) components, however, partially being offset by Housing, water, electricity, gas and other fuels (40.7% weight) component, which moderated from 6.05% y/y in August to 5.82% y/y in September.

- The Central Bank of UAE (CBUAE) and the Central Bank of Republic of Türkiye (CBRT) signed a bilateral

currency swap agreement of AED 18 billion and TRY 198 billion to improve local currency liquidity and strengthen bilateral trade. Additionally, they also signed two MoUs to promote cross-border transactions in local currencies and another to interlink their payment systems (UAE's Aani and Türkiye's FAST).



## IMF REO October 2025 update

- The real GDP growth in the GCC region has been revised upwards in IMF's October 2025 update to 3.9% for 2025, up from 3.0% projection in the IMF outlook released in May 2025.
- UAE real GDP projections for 2025 were revised to 4.8%, up from 4.0% projected in May, significantly above the global average growth of 3.2%.
- UAE's economic growth is expected to be driven by the strength of the non-oil sectors like tourism and construction, and an expected rebound in oil output as OPEC+'s production increases.
- IMF lowered UAE's inflation forecast for 2025 to 1.6%, down from 2.6% in May projections. UAE's non-oil sector deficit is expected to narrow over the medium-term through implementation of indirect tax reforms.
- The UAE remains highly resilient to global uncertainties, supported by its ongoing efforts in economic diversification, structural reforms, and the expansion of Comprehensive Economic Partnership Agreements (CEPAs).



## UAE Economic Cooperation

- **7<sup>th</sup> Ministerial Meeting of the GCC Economic and Development Affairs Authority in Kuwait:** Held on 09<sup>th</sup> October 2025, UAE participated in the meetings which focused on strengthening cooperation for sustainable economic integration across industry, standards, and metrology to facilitate trade and development within the GCC.
- **UAE's collaboration with Cyprus:** On 15<sup>th</sup> October 2025, UAE Minister of Economy and Tourism, H.E. Abdulla bin Touq Al Marri, and Cypriot Minister of Energy, Commerce, and Industry, H.E. George Papanastasiou, discussed advancing cooperation in renewable energy, circular economy initiatives, and innovation-led entrepreneurship.
- **Abu Dhabi-Italy MoU:** On 28<sup>th</sup> October 2025, Shamis Al Dhaheri, Second Vice Chairman and Managing Director of the Abu Dhabi Chamber, and Dario Scannapieco, Chief Executive Officer of Cassa Depositi e Prestiti (CDP), signed an MoU that aims to strengthen economic cooperation and facilitate high-quality investments across priority sectors, including advanced industries, energy, technology, and food security.
- **Abu Dhabi-Australia MoU:** On 30<sup>th</sup> October 2025, the Abu Dhabi Investment Office (ADIO) and the Australian National Reconstruction Fund Corporation (NRFC) signed an MoU to increase FDI flows and promote both the nations as an attractive investment destination.



## Spotlight: Impact of Fed Rate Cut on the Banking Sector

- After the US Fed's two 25 bps rate cuts in 2025, the CBUAE followed the move, lowering its Base Rate by 25 bps each in September and October, to 3.9%.
- The UAE banking sector is likely to face a mixed outcome from the rate cut, as the expected increase in loan volumes owing to higher demand will be concurrent with reduced profit margins on lending.
- The most direct impact on UAE banks will be the compression of Net Interest Margin (NIM). Since UAE's base rate is cut, the interest earned by banks will decline, leading to a fall in average NIM.
- However, UAE banks' strong fundamentals would aid in moderating the negative impact from the rate cut. Banks in UAE possess one of the highest NIMs across the GCC region. As of Q2 2025, the NIM ratio for UAE banks stood at 2.43%.<sup>1</sup>
- Moreover, a lower interest rate environment also reduces the cost of funding for banks.
- The decline in interest rates shall propel loan growth in UAE banks, as demand from retail segments like mortgages and personal loans witness growth after rate cuts. This will materialise into higher lending volumes.
- Additionally, support from non-interest income component and the ongoing adoption of digital transformation and cost management strategies by UAE banks will partially offset the anticipated pressures from rise in the interest rate.
- The eventual impact on the UAE banking sector hinges on whether increased loan volume can offset the reduction in margins caused by the rate cut, with the sector's high liquidity and the economy's global resilience providing strong buffers.

<sup>1</sup>Source: Alvarez & Marsal (US-based consulting firm)



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