

UAE outlook report

First quarter of 2025



Design and Layout

Marketing and Communication Department
Management Solutions

Photographs:

Photographic archive of Management Solutions
iStock

© Management Solutions, 2025

All rights reserved. Cannot be reproduced, distributed, publicly disclosed or transformed, whether totally or partially, free of charge or at no cost, in any way or by any means, without the express written authorization of Management Solutions.

The information contained in this publication is merely to be used as a guideline, is provided for general information purposes and is not intended to be used in lieu of consulting with our professionals. Management Solutions is not liable for any use that third parties may make of this information. The use of this material is not permitted without the express authorization of Management Solutions.

Index

The objective of UAE’s quarterly report is to provide a comprehensive and summarized overview of the main indicators of the country's banking sector, as well as the macroeconomic situation at the end of each quarter.

1. International overview	4
2. Macroeconomic view	7
3. Banking sector	8
4. Glossary	9
5. Appendix	10

1. International overview

Global growth is expected to remain modest in 2025, with inflation gradually easing across regions, yet downside risks persist amid financial tightening, geopolitical tensions, and fragile structural momentum in key economies.

Macroeconomic outlook

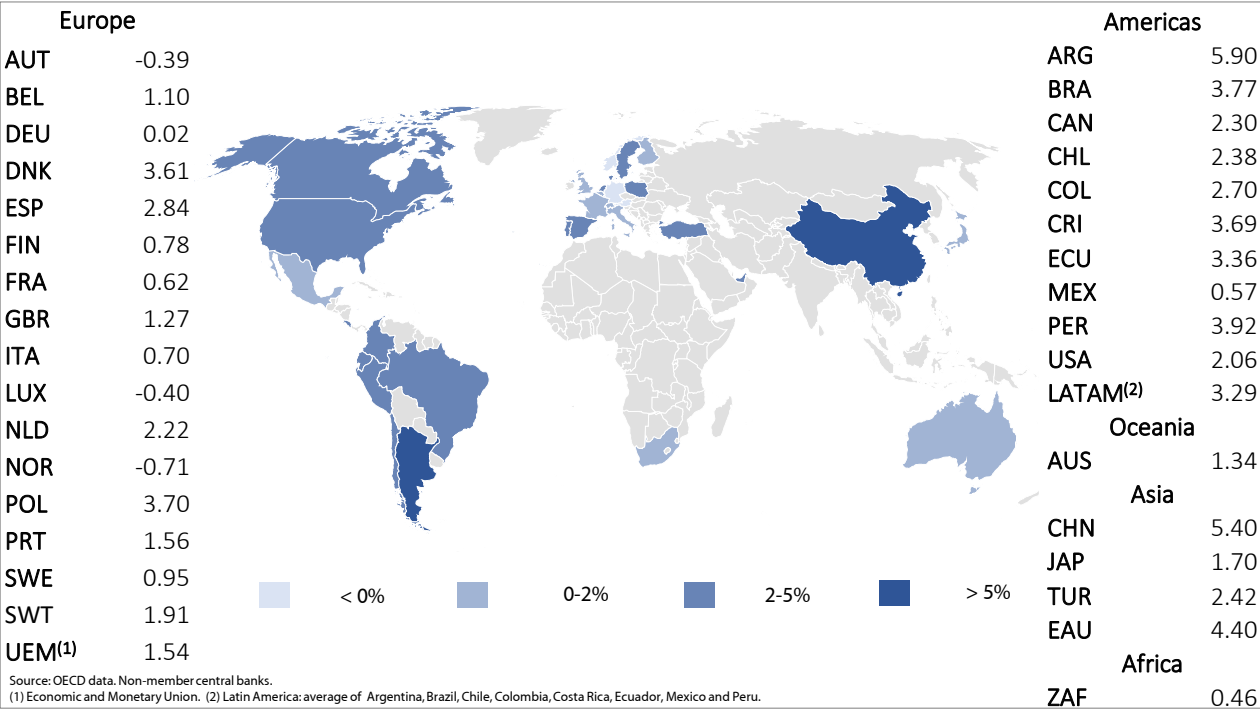
- ▶ The Eurozone experienced year-on-year growth of 1.54% in the first quarter of the year, continuing the upward trend observed in previous periods. Among the member states, Poland led the bloc with a growth rate of 3.70%, while Germany once again showed signs of economic weakness. The region's average CPI increased slightly to 2.34% compared to the previous quarter. Average unemployment in the region rose marginally to 6.30%, up from 6.20% in the prior quarter.
- ▶ The UK's GDP decreased to 1.27% in the first quarter of the year, declining compared to the previous quarter. However, the CPI increased to 4.50% and the unemployment rate also rose to 4.50%, 0.10 p.p. above the 4Q24 level.
- ▶ In the first quarter of 2025, U.S. GDP grew by 2.06%, reflecting a decrease of 0.47 p.p. compared to the previous quarter. Meanwhile, Canada recorded a growth rate of 2.30%, an increase of 0.40 p.p. from 4Q24. The growth rate in Latin America¹ reached 3.29% in 1Q25. As for inflation, the U.S. figure remained stable at 2.74%. The average inflation rate in Latin America was 3.14%, excluding Argentina. In terms of unemployment, the U.S. saw its unemployment rate decrease slightly to 4.10%, while Canada's rate remained steady at 6.60%. In Latin America, the average unemployment rate rose to 6.65%, an increase of 0.46 p.p. compared to the previous quarter. Colombia and Mexico were the only countries in the region that managed to reduce their unemployment rates over the same period.
- ▶ In the Asia region, China recorded a growth rate of 5.40% in the first quarter of 2025, maintaining the same level as in the previous quarter. Japan sustained a positive performance, reaching 1.70%, while Turkey showed slight improvement, with growth increasing to 2.42%. The inflation rate continued to decline in all three countries: -0.13% in China, 3.60% in Japan, and 39.71% in Turkey, reflecting the ongoing disinflation trend. Additionally, the unemployment rate remained stable in China (5.20%) and Japan (2.47%), while Turkey experienced a decrease to 8.27% compared to 4Q24.
- ▶ During the first quarter of 2025, South Africa's GDP grew slightly to 0.46%, up from 0.45% in the previous quarter. The unemployment rate remained high at 32.90%, having increased compared to 4Q24. In Australia, GDP increased slightly to 1.34%, compared to 1.25% in the fourth quarter. The CPI rose moderately to 2.40%, and the unemployment rate increased to 4.07%, up by 0.06 p.p. from the previous quarter.

Macroeconomic forecasts and key risks

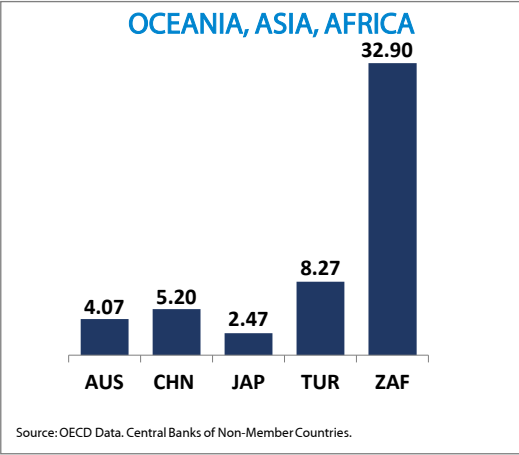
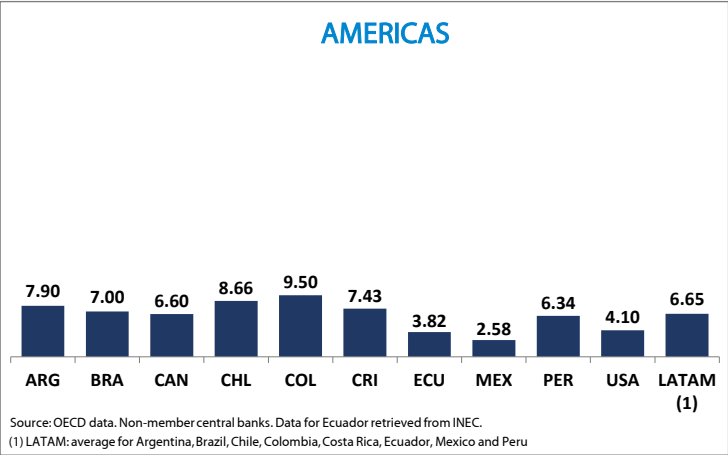
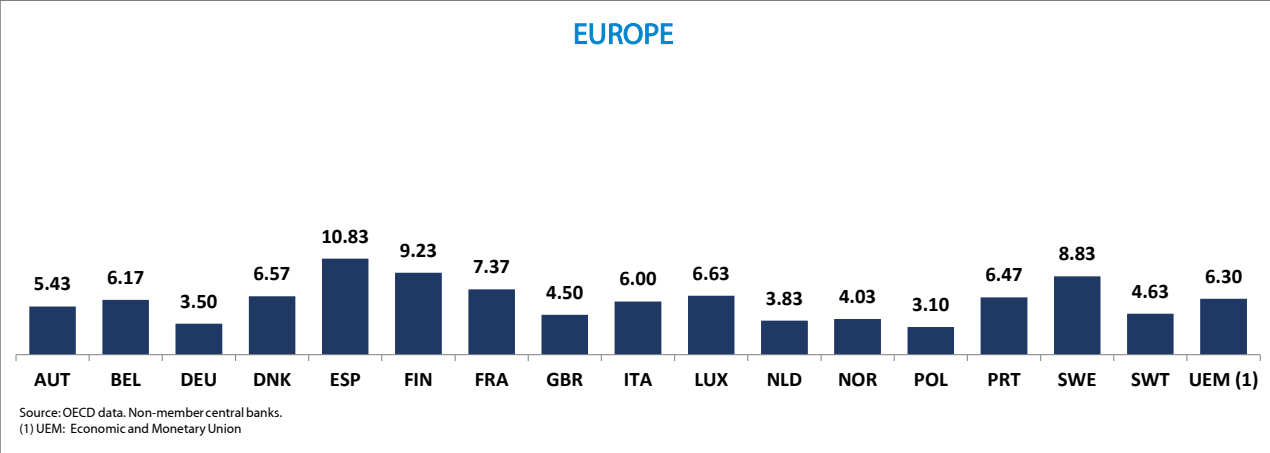
- ▶ The IMF projects global growth of 2.8% in 2025, rising to 3.0% in 2026. Spain leads among advanced economies with a forecast of 2.5%, well above the euro area average of 0.8%. The U.S. is expected to grow by 1.8%, supported by domestic demand. In Asia, India remains the fastest-growing major economy at 6.2%, followed by China at 4.0%. Latin America is projected to grow 2.0%, weighed down by contractions in key economies such as Mexico. While global inflation continues to ease due to falling energy prices, food prices are expected to rebound in 2025.
- ▶ Short-term risks vary across regions, with upside potential in the U.S. and Spain, and downside risks in areas affected by tighter financial conditions. In the medium term, risks remain mostly on the downside. Geopolitical tensions, trade fragmentation, and stricter credit conditions pose threats to future economic stability.
- ▶ The OECD, for its part, is somewhat more optimistic than the IMF, projecting global GDP growth of 3.1% in 2025 and 3.0% in 2026, driven by a recovery in consumption and investment in certain markets. For 2025, it expects U.S. growth at 2.2% and China at 4.8%, both higher than the IMF's projections. The forecast for the euro area (1.0%) is similar across both institutions. Regarding inflation, the OECD anticipates a gradual decline, though it warns that core inflation is likely to remain above target in many advanced economies.
- ▶ Both the IMF and the OECD identify trade fragmentation, tight monetary policy amid persistent inflation, and geopolitical tensions as the main threats to global growth. However, improved trade cooperation, political stability, and fiscal support could help recovery. The OECD also emphasizes the importance of structural reforms and strong international cooperation to reduce risks and boost long-term productivity.

¹ Latin America: average for Argentina, Brazil, Chile, Colombia, Costa Rica, Ecuador, Mexico and Peru

GDP (% , year-on-year growth)

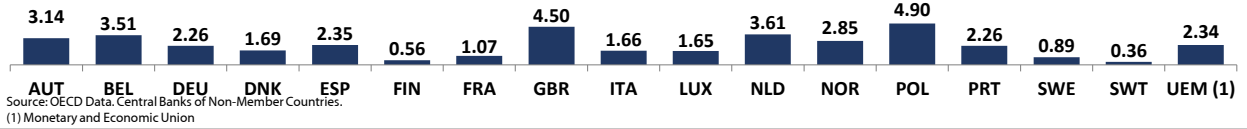


Unemployment rate (%)

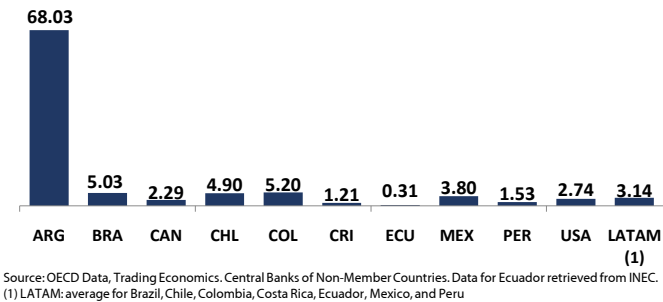


Inflation rate (%)

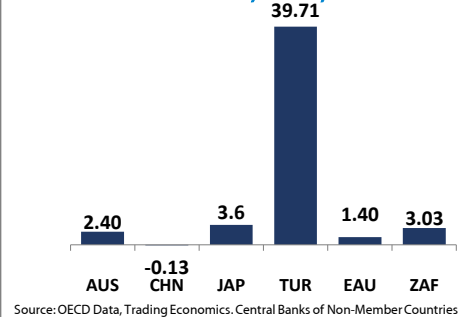
EUROPE



AMERICAS



OCEANIA, ASIA, AFRICA



Global Ratings and Exchange Rates

LONG-TERM RATES 1Q25

	MOODY'S	S&P	Fitch
EUROPE			
BEL	Aa3	AA	AA-
DEU	Aaa	AAA	AAA
DNK	Aaa	AAA	AAA
ESP	Baa1	A	A-
FIN	Aa1	AA+	AA+
FRA	Aa3	AA-	AA-
ITA	Baa3	BBB+▲	BBB
LUX	Aaa	AAA	AAA
NLD	Aaa	AAA	AAA
NOR	Aaa	AAA	AAA
POL	A2	A-	A-
PRT	A3	A-	BBB+
GBR	Aa3	AA	AA-
SWE	Aaa	AAA	AAA
SWT	Aaa	AAA	AAA
AUT	Aa1	AA+	AA+▲
AFRICA			
ZAF	Ba2	BB-	BB-
OCEANIA			
AUS	Aaa	AAA	AAA
ASIA			
CHN	A1	A+	A+
JAP	A1	A+	A
TUR	B1	BB-	B
AMERICAS			
ARG	Caa3▲	CCC	C
BRA	Ba1	BB	BB-▼
CAN	Aaa	AAA	AA+
CHL	A2	A	A-
COL	Baa3▼	BB▼	BB+
CRI	Ba3	BB-	BB-
ECU	Caa3	B-	B-
MEX	Baa2	BBB	BBB-
PER	Baa1	BBB-	BBB
USA	Aa1▼	AA+	AAA

▲ Increased from 4Q24

▼ Decreased from 4Q24

Source: Investing

EXCHANGE RATES 1Q25 (\$1)

	1Q24	2Q24	3Q24	4Q24	1Q25	2025
EUROPE						
EUR	0.92	0.93	0.91	0.94	0.95	0.95
CHF	1.14	0.90	0.87	0.88	0.90	0.89
DKK	6.87	6.93	6.79	7.00	7.09	7.08
NOK	10.51	10.75	10.70	11.02	11.06	11.16
SEK	10.39	10.68	10.42	10.78	10.67	10.98
GBP	0.79	0.79	0.77	0.78	0.79	0.79
PLN	3.99	3.99	3.90	4.03	3.99	4.12
AMERICAS						
ARG	833.91	885.25	940.59	999.45	1055.17	998.25
BRL	4.95	5.21	5.55	5.84	5.85	5.79
CLP	945.96	933.72	903.11	963.71	962.48	973.93
COP	3,913.15	3,923.29	4,904.54	4,348.68	4,188.90	4,484.94
PER	3.74	3.73	3.47	3.75	3.70	3.81
MXN	16.97	17.23	18.93	20.07	20.41	20.41
AFRICA						
ZAR	18.87	18.56	17.97	17.90	18.48	18.21
OCEANIA						
AUS	1.52	1.52	1.49	1.53	1.59	1.55
ASIA						
RMB	7.19	7.24	7.16	7.19	7.27	7.23
TRY	30.90	32.35	33.50	34.52	36.22	34.33

Source: Investing, OECD projections, June 2025.

(1) The base currency used is the U.S. dollar against each local currency quoted

2. Macroeconomic view

During the first quarter of 2025, the UAE economy showed solid growth, driven by non-oil sectors like tourism and construction. Inflation remained under control, with slight upward pressure emerging. Labor market momentum softened amid uneven sectoral performance.

Main Macroeconomic Indicators (%)

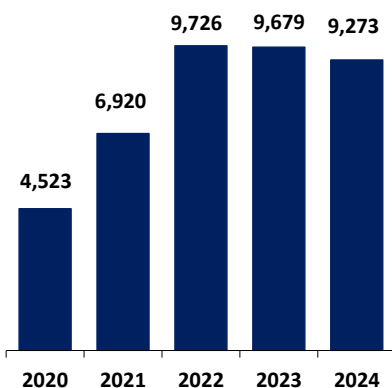
ACTIVITY	1Q24	2Q24	3Q24	4Q24	1Q25	Var. p.p.4Q24	Var. p.p.1Q24	2025	2026
GDP	3.40	3.90	4.00	3.90	4.40	0.50	1.00	3.99	4.98
PUBLIC CONSUMPTION	5.00	-0.70	10.10	2.00	n.a	n.a	n.a		
EXTERNAL DEMAND									
EXPORTS	22.20	25.00	32.90	29.30	n.a	n.a	n.a		
IMPORTS	13.30	11.40	12.90	13.30	n.a	n.a	n.a		
INFLATION									
CPI	1.90	2.30	1.50	1.00	1.40	0.40	-0.50	2.10	2.20
LABOR MARKET									
EMPLOYMENT ⁽¹⁾	7.50	7.50	4.00	8.40	7.40	-1.00	-0.10		

Source: Quarterly Economic Report published by the Central Bank of the UAE. The projections have been sourced from the Economic Outlook report released in April 2025 by the Central Bank of the UAE.

- ▶ The United Arab Emirates economy grew by 4.40% in the first quarter of 2025, driven mainly by non-oil sectors such as tourism, aviation, and real estate, while oil production remained subdued. Although annual growth prospects remain positive, with a GDP forecast of 3.99% for 2025, underlying momentum appears uneven across sectors.
- ▶ Inflation remained contained in the first quarter of 2025, with headline CPI averaging 1.40%, above the 1.0% recorded in the previous quarter. Declines in transport and food prices helped offset increases in housing and services, keeping inflationary pressures under control. However, the Central Bank revised its inflation forecast upward, projecting 2.10% for 2025 and 2.20% for 2026, in a context of gradually recovering domestic demand and adjustments in some non-tradable components.
- ▶ Labor market conditions began to show clear signs of deceleration in the first quarter of 2025. The employment rate declined from 8.40% to 7.40%, reflecting a slowdown in job creation compared to late 2024. This cooling was particularly evident in sectors such as trade and construction, where hiring activity weakened. Nevertheless, labor demand remained relatively firm in areas like tourism and logistics, supported by strong service-sector momentum and seasonal activity.

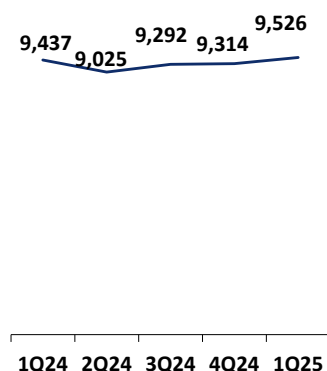
ADX

Annual Average



Source: Investing

Quarterly Average



Source: Investing

3. Banking sector

UAE banking sector delivered a positive start to the year, solid digital transformation and healthy loan-deposit dynamics. They sustained high profitability amid moderate net interest margin pressure, supported by diversified revenue, and active corporate and wholesale lending.

BANKING SITUATION 1Q25 (%)							
BUSINESS	1Q24	2Q24	3Q24	4Q24	1Q25	Var. p.p. 4Q24	Var. p.p. 1Q24
TOTAL LOANS ⁽¹⁾	8.67	9.01	10.27	10.82	10.83	0.01	2.16
TOTAL DEPOSITS ⁽¹⁾	15.22	13.05	14.07	12.89	10.52	-2.38	-4.71
LTD RATIO	93.25	94.75	95.43	93.78	93.51	-0.27	0.26
EFFICIENCY							
COST-TO-INCOME RATIO	27.90	28.10	29.00	28.90	n.a.	n.a.	n.a.
RISK							
PROVISIONS ⁽¹⁾	-10.93	-13.83	-15.60	-13.78	n.a.	n.a.	n.a.
NPL RATIO	2.30	2.30	2.30	2.00	1.80	-0.20	-0.50
SOLVENCY ⁽²⁾							
CET 1 ⁽²⁾	15.00	15.30	15.50	14.80	14.70	-0.10	-0.30
LCR	165.10	159.20	153.10	160.30	n.a.	n.a.	n.a.
CBUAE INTEREST RATES							
INTEREST RATES	5.40	5.40	4.90	4.40	4.40	0.00	-1.00

Sources: CBUAE
⁽¹⁾ Total loans, deposits and provisions reflect year-on-year growth rates
⁽²⁾ CET 1 ratio measured as fully-loaded

- ▶ In the first quarter of 2025, the UAE banking sector showed a stable but more cautious profile. Total loans growth stood at 10.83, virtually unchanged from 10.82 in 4Q24, yet significantly higher than the 8.67 reported in 1Q24. In contrast, total deposits declined to 10.52, down 2.38 from the previous quarter and 4.71 year-on-year. This divergence led to a slight reduction in the loan-to-deposit (LTD) ratio, from 93.78% to 93.51%, though still above the 93.25% recorded a year earlier.
- ▶ Credit quality improved, with the non-performing loan (NPL) ratio decreasing to 1.80%, 20 basis points lower than in 4Q24 and 50 basis points below 1Q24. Provisioning data for 1Q25 is not available, but the trend across 2024 was mixed, showing no consistent direction.
- ▶ In terms of capital strength, the CET1 ratio fell slightly to 14.70%, from 14.80% in 4Q24 and 15.00% in 1Q24. The liquidity coverage ratio (LCR) was not disclosed for the quarter.
- ▶ Cost-to-income and profitability metrics are also missing for 1Q25, limiting insights into operational efficiency and earnings performance. However, interest rates remained stable at 4.40%, unchanged since 4Q24 but down 100 basis points from 1Q24, which may alleviate some pressure on funding costs.
- ▶ Overall, the sector appears to be entering 2025 with a prudent stance: steady credit expansion, improving asset quality, and sound capital levels, despite tighter deposit inflows and limited visibility on earnings.

4. Glossary

- ▶ **BUSINESS VOLUME:** The business volume is the set of activities that generate income for a bank, formed by financing (loans) plus customer resources (deposits).
- ▶ **CET 1:** Common Equity Tier 1 capital is the highest quality of regulatory capital, as it absorbs losses immediately when they occur.
- ▶ **COVERAGE RATIO:** It is a ratio that informs us about the protection that financial entities have against the unpaid loans of their clients. It is represented as the total provisions that the entity has over the total doubtful loans.
- ▶ **CPI:** The consumer price index is an indicator that measures the variation of prices of a basket of goods and services in a specific location during a certain period of time.
- ▶ **EFFICIENCY RATIO:** It is a ratio that measures the productivity of an entity. It is the result of the quotient between operating expenses and gross margin. In other words, it relates the income obtained with the expenses necessary for its achievement. As a conclusion, an entity will be more efficient the lower its efficiency ratio.
- ▶ **GDP:** Gross Domestic Product (GDP) is an economic indicator that reflects the monetary value of all final goods and services produced by a territory in a certain period of time. It is used to measure the wealth generated by a country.
- ▶ **GM/ATAs:** Gross Margin / Average Total Assets. Gross margin is composed of the set of revenues generated by a financial entity in its activity.
- ▶ **LEVERAGE RATIO:** The Tier 1 leverage ratio measures a bank's core capital relative to its total assets. The numerator consists of the most stable and liquid capital, as well as the most effective at absorbing losses during a financial crisis or recession. The denominator is a bank's total exposures, which include its consolidated assets, derivative exposures and certain off-balance sheet exposures.
- ▶ **LCR (Liquidity Coverage Ratio):** this ratio measures a bank's liquidity. It is calculated as the institution total liquid assets divided by its short-term obligations.
- ▶ **LTD RATIO:** The loan-to-deposit ratio (LDR) is used to evaluate a bank's liquidity by comparing the total loans of a bank with the total deposits during the same period.
- ▶ **NON-PERFORMING LOANS (NPL) RATIO:** The non-performing loan (NPL) ratio is an indicator used to measure the volume of operations that have been considered non-performing, in relation to the volume of loans and credits granted by said entity.
- ▶ **OE/ATAs:** Operating Expenses / Average Total Assets. Operating expenses are those that an entity incurs during the exercise of its activity.
- ▶ **OECD:** Organization for Economic Cooperation and Development.
- ▶ **p.p.:** Percentage points
- ▶ **ROA:** An indicator that measures the profitability of a company in relation to its total assets. It indicates the return that is being obtained for its assets. It is calculated as the quotient between profit and total assets. The profit used is that obtained before taxes and interests.
- ▶ **ROE:** Financial profitability is also known as return on equity, which relates the net profits obtained in a given investment operation with the own resources.

5. Appendix

MACROECONOMIC OVERVIEW

- ▶ CBUAE: <https://www.centralbank.ae/>

FINANCIAL SECTOR

- ▶ CBUAE: <https://www.centralbank.ae/>

ACRONYMS

- | | | | | |
|-----------------|-----------------------|--------------------|----------------------|--------------------------------|
| ▶ DEU - Germany | ▶ LUX - Luxembourg | ▶ TUR - Turkey | ▶ ECU - Ecuador | ▶ ZAF - South Africa |
| ▶ BEL - Belgium | ▶ NLD - Netherlands | ▶ ARG - Argentina | ▶ MEX - Mexico | ▶ UEM- European Monetary Union |
| ▶ DIN - Denmark | ▶ NOR - Norway | ▶ BRA - Brazil | ▶ PER - Peru | |
| ▶ ESP - Spain | ▶ POL - Poland | ▶ CAN - Canada | ▶ USA- United States | |
| ▶ FIN - Finland | ▶ PRT - Portugal | ▶ CHL - Chile | ▶ AUS - Australia | |
| ▶ FRA - France | ▶ GBR- United Kingdom | ▶ COL - Colombia | ▶ CHN - China | |
| ▶ ITA - Italy | ▶ SUE - Sweden | ▶ CRI - Costa Rica | ▶ JAP - Japan | |



Our goal is to exceed client expectations, becoming their trusted partners

Management Solutions is an international consulting services firm focused on business, risk, finance, organization and process consulting, both in its functional components and in the implementation of related technologies.

With a multidisciplinary team (functional, mathematical, technical, etc.) of nearly 4,000 professionals, Management Solutions operates through 50 offices (22 in Europe, 23 in America, 3 in Asia, 1 in Africa, 1 in Oceania).

To meet these requirements, Management Solutions structures its activities by industry (Financial Institutions, Energy, Telecommunications, Consumer Products and Industry, Government and Construction), grouping together a wide range of areas of specialization, including Strategy, Sales and Marketing Management, Organization and Processes, Risk Management and Control, Management and Financial Reporting and New Technologies.

Marta Hierro

Partner of Management Solutions

Marta.Hierro@msspain.com

Juan García-Lubén Ibán

Partner of Management Solutions,

juan.garcia-luben.i1@managementsolutions.com

Management Solutions

www.managementsolutions.com

Management Solutions, Professional Consulting Services

Management Solutions is an international consulting firm whose core mission is to deliver business, risk, financial, organisation, technology and process-related advisory services.

For further information please visit www.managementsolutions.com

Follow us at:     

© Management Solutions. 2025

All rights reserved