مصرف الإمارات العربية المتحدة المركزي
CENTRAL BANK OF THE U.A.E.

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Quarterly Economic Review

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List of Abbreviations

AED	*United Arab Emirates Dirham*
AEs	*Advanced Economies*
ALOS	*Average Length of Stay*
ARR	*Average Room Rate*
BoE	*Bank of England*
CBUAE	*Central Bank of the UAE*
CDs	*Certificates of Deposit*
CPI	*Consumer Price Index*
DONIA	*Dirham Overnight Index Average*
DSC	*Dubai Statistics Center*
ECB	*European Central Bank*
EIBOR	*Emirates Inter-Bank Offer Rate*
EMDEs	*Emerging Markets and Developing Economies*
Fed	*Federal Reserve*
GCC	*Gulf Cooperation Council*
GDP	*Gross Domestic Product*
GREs	*Government Related Entities*
IMF	*International Monetary Fund*
M1	*Monetary Aggregate 1*
M2	*Monetary Aggregate 2*
M3	*Monetary Aggregate 3*
M-o-M	*Month-on-Month*
MENA	*Middle East and North Africa*
MGF	*Minimum Guarantee Fund*
NEER	*Nominal Effective Exchange Rate*
NBFI	*Non-Banking Financial Institutions*
OPEC	*Organization of Petroleum Exporting Countries*
PMI	*Purchasing Managers' Index*
REER	*Real Effective Exchange Rate*
REVPAR	*Revenue per Available Room*
SCA	*Securities and Commodities Authority*
UAE	*United Arab Emirates*
UK	*United Kingdom*
USA/US	*United States of America*
USD	*United States Dollar*
WEO	*World Economic Outlook*
Y-o-Y	*Year-on-Year*

Chapter 1

International Economic Developments and UAE External Sector

I.1. Growth Outlook of Major UAE Economic Partners

Global growth is expected to decline from 3.5% in 2022 to 3% in 2023 and 2.9% in 2024

The global economic recovery continues to be characterized by large disparities across different regions

Growth in the GCC region is decelerating due to tighter monetary stances, oil production cuts, and geopolitical tensions

Global

The October 2023 World Economic Outlook (WEO) of the International Monetary Fund (IMF) forecasts global growth to decline from 3.5% in 2022 to 3% in 2023 and 2.9% in 2024. Compared to the WEO Update in July, global growth was unchanged in 2023 and marginally revised downward in 2024, by 0.1 percentage points. Overall, the global economy has continued its slow recovery from the pandemic and has shown resilience to several adverse events, including the damages from the conflict in Ukraine and historical tightening of monetary conditions worldwide to cope with persistently high inflation. Nevertheless, the pace of growth remains sluggish with increased disparities among different regions.

Advanced Economies

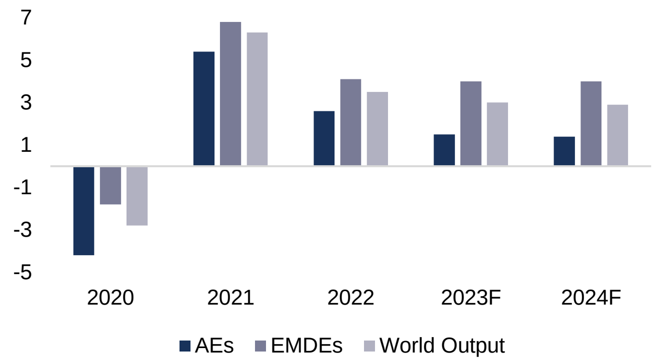
Growth in advanced economies is expected to fall from 2.6% in 2022 to 1.5% in 2023, with 90% of the economies in the group predicted to slow down due to a stronger-than-anticipated performance in the US and a lower-than-expected growth in the eurozone.

In terms of recent developments, growth in the US economy rose to 5.2% Y-o-Y in Q3 2023, after a 2.1% Y-o-Y expansion in Q2 2023. The acceleration was primarily driven by consumer spending, resulting from higher wages due to the tight labor market, and higher inventories.

In Q3 2023, growth in the eurozone decelerated to 0.1% Y-o-Y from 0.5% Y-o-Y in Q2 2023. The economy is facing significant challenges due to elevated inflation, historically high interest rates, and a gradual implementation of fiscal tightening. Among the largest economies in the eurozone, Germany experienced a 0.3% Y-o-Y contraction, France displayed a more modest growth of 0.7% Y-o-Y, while Italy showed no significant growth, remaining at 0% compared to a year ago. Outside of the eurozone, the UK economy expanded at 0.6% Y-o-Y in Q3 2023, unchanged from the previous quarter.

In Japan, Q3 2023 growth fell to 1.2% Y-o-Y from 1.7% Y-o-Y recorded in the previous quarter, amidst rising expenses and global headwinds. Japan's economy experienced sluggish consumption and exports, largely due to the spillovers from declining demand in China.

Figure 1.1 Global Real GDP Growth (%)



Source: International Monetary Fund, World Economic Outlook.
Notes: F=forecast; AEs= Advanced Economies, EMDEs= Emerging Market and Developing Economies.

Table 1.1 Real GDP Growth in Advanced Economies (%)

	2022	2023F	2024F	Q2 2023 (Y-o-Y)	Q3 2023 (Y-o-Y)
Global	3.5	3.0	2.9	-	-
AEs	2.6	1.5	1.4	-	-
USA	2.1	2.1	1.5	2.1	5.2
Eurozone	3.3	0.7	1.2	0.5	0.1
UK	4.1	0.5	0.6	0.6	0.6
Japan	1.0	2.0	1.0	1.7	1.2

Sources: International Monetary Fund, World Economic Outlook; national statistics authorities.
Notes: F=forecast. AEs=Advanced Economies.

Emerging and GCC Economies

The IMF projects growth in emerging market and developing economies at 4% in 2023 and 2024, largely unchanged with respect to 2022. However, significant heterogeneity persists across countries.

Growth in emerging and developing Asia is projected to accelerate to 5.2% in 2023 from 4.5% in 2022. Similarly, in emerging Europe growth is expected to increase from 0.8% in 2022 to 2.4% in 2023. However, tighter policies, a weaker external environment, and lower commodity prices are expected to weigh on the outlook for Latin America, where growth is projected to fall from 4.1% in 2022 to 2.3% in 2023.

In Q3 2023, the Chinese economy expanded by 4.9% Y-o-Y, down from 6.3% Y-o-Y growth in Q2. The underwhelming performance led the authorities to extend low-cost financing to the renovation of the country's urban village and affordable housing programs to counteract the negative effects of the prolonged property crisis and sluggish trade.

The Indian economy experienced a 7.6% Y-o-Y expansion in Q3 2023, following a robust 7.8% increase in the preceding quarter, on the back of a robust performance of the manufacturing sector and increased government capital expenditure. The Brazilian economy decelerated to 2% Y-o-Y in Q3 2023, owing to weak domestic demand, a decline in real exports and contracting manufacturing sector. In South Africa, growth in Q3 2023 contracted to 0.7% Y-o-Y, mainly as a result of the ongoing power shortages and logistical limitations.

The pace of expansion of the GCC region's economic activity is projected to decline significantly, from 7.9% in 2022 to 1.5% in 2023. This mainly reflects the OPEC production cuts and tighter monetary conditions. Despite these challenges, economic activity in the non-oil private sector is expected to be resilient as countries secured financing to pursue their medium-term development plans of economic diversification.

Table 1.2 Real GDP Growth in Emerging Markets (%)

	2022	2023F	2024F	Q2 2023 (Y-o-Y)	Q3 2023 (Y-o-Y)
EMDEs	4.1	4.0	4.0	-	-
Brazil	2.9	3.1	1.5	3.5	2.0
India	7.2	6.3	6.3	7.8	7.6
China	3.0	5.0	4.2	6.3	4.9
South Africa	1.9	0.9	1.8	1.5	-0.7

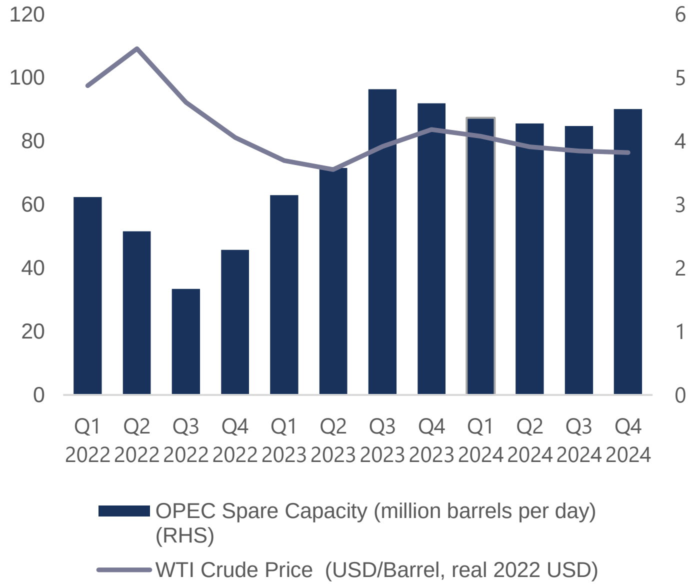
Source: International Monetary Fund, World Economic Outlook.
Notes: F=forecast. EMDEs=Emerging Market and Developing Economies.

Table 1.3 Real GDP Growth in GCC Economies (%)

	2022	2023F	2024F
GCC	7.9	1.5	3.7
UAE*	7.9	3.1	5.7
Saudi Arabia	8.7	0.8	4.0
Qatar	4.9	2.4	2.2
Kuwait	8.9	-0.6	3.6
Oman	4.3	1.2	2.7
Bahrain	4.9	2.7	3.6

Sources: International Monetary Fund, World Economic Outlook and Regional Economic Outlook.
Notes: F=forecast. *Federal Competitiveness and Statistics Centre for 2022 and CBUAE for 2023-24.

Figure 1.2 OPEC Oil Spare Capacity and Oil Prices



Source: US Energy Information Administration.

I.2. Inflation and Monetary Policy Responses

Global inflation is projected to decline to 6.9% in 2023 from 8.7% in 2022	Inflation is receding in most economies, due to weaker energy prices and tight monetary stances	Most Central Banks kept interest rates unchanged

Global

Global inflation remains elevated compared to historical levels, but on a downward trend. According to the IMF's October 2023 WEO, global inflation is projected to fall to 6.9% in 2023 and 5.8% in 2024 from 8.7% in 2022. The decline largely reflects tighter monetary policies and a decrease in international commodity prices.

Advanced Economies

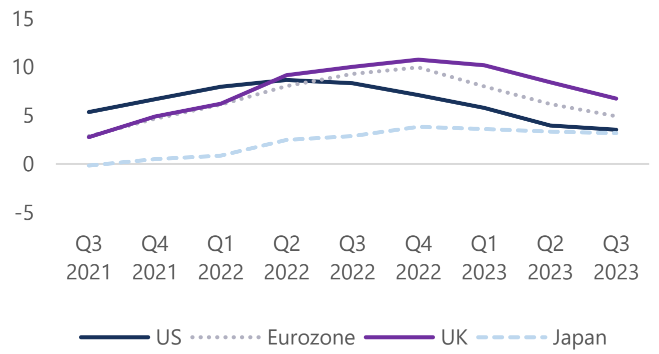
In the US, headline inflation rose to 3.7% Y-o-Y in September 2023 from 3% Y-o-Y in June, largely owing to an increase in fuel prices. In October 2023, however, inflation eased back to 3.2% Y-o-Y. The Federal Funds Rate remained unchanged at 5.25-5.5% in November 2023, reflecting policymakers' focus on returning inflation to the target while avoiding excessive monetary tightening.

The annual inflation rate in the eurozone fell to 2.9% Y-o-Y in October 2023 from 4.3% Y-o-Y in September, as food and energy prices receded. The European Central Bank (ECB) increased its key interest rate for the main refinancing operations by 25 bps to 4.5% in September 2023, however recent encouraging news of declining inflation led the ECB to maintain it in the October meeting.

The annual inflation rate in the UK fell to 4.6% Y-o-Y in October from 7.9% Y-o-Y in June, largely as a result of the decline in food and energy prices. The BoE held its policy interest rate at 5.25% in November, keeping borrowing costs at their highest level since 2008.

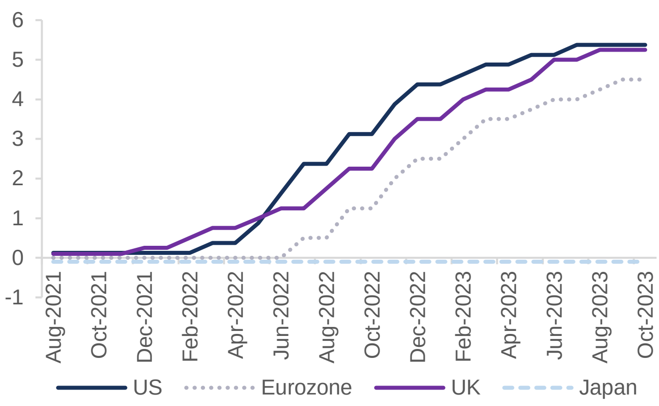
The annual inflation rate in Japan rose to 3.3% Y-o-Y in October 2023 from 3.0% Y-o-Y in September, due to an increase in food prices. The Bank of Japan (BoJ) maintained its policy rate at -0.1% during its monetary policy meetings in October 2023.

Figure 1.3 Average Headline Inflation in Selected Advanced Economies (Y-o-Y, %)



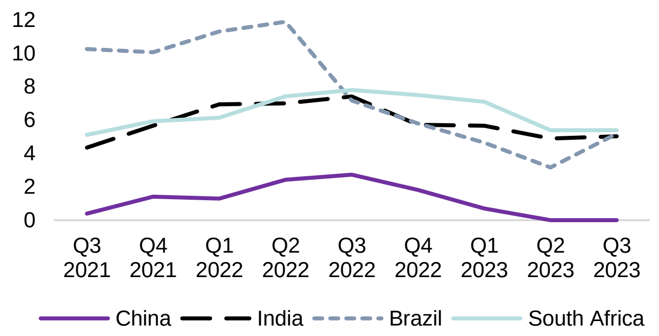
Source: Bloomberg.

Figure 1.4 Policy Rates in Selected Advanced Economies (%)



Source: Bank for International Settlements.

Figure 1.5 Average Headline Inflation in Selected Emerging Economies (Y-o-Y, %)



Source: Bloomberg

Emerging and GCC Economies

China entered deflation in October 2023, with the annual rate dropping to -0.2% Y-o-Y, a decrease from a flat reading of 0% in both June and September. Despite deflationary pressures raise concerns about the sustainability of the economic recovery, the People's Bank of China (PBoC) held steady its benchmark lending rate at 3.45% in October. However, the PBoC added a net CNY 289 billion into the financial system via a medium-term lending facility, the largest monthly injection since December 2020, to allow banks to extend credit.

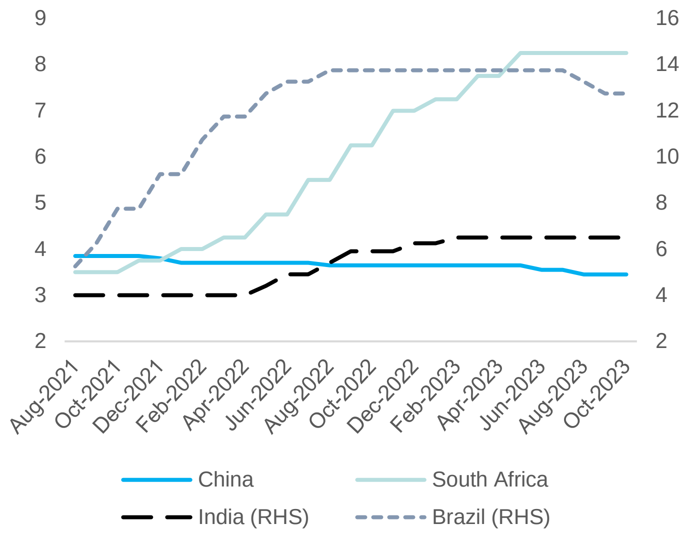
In October 2023, inflation in India was 4.9% Y-o-Y, unchanged compared to June and within the Reserve Bank of India (RBI)'s 2%–6% target range. In the monetary policy meeting of October 2023, the RBI kept its benchmark policy repo rate at 6.5%.

The increase in transportation prices contributed to recent inflation increases in Brazil and South Africa. In Brazil, inflation increased to 4.8% Y-o-Y in October 2023 from 3.2% in June. Inflation in South Africa rose to 5.9% Y-o-Y in October 2023 compared with 5.4% in June. In its last monetary policy meeting in October 2023, the Central Bank of Brazil lowered its Selic rate to 12.25%. The South African Reserve Bank maintained its repo rate at 8.25% in November 2023.

Saudi Arabia's inflation rate fell to 1.6% Y-o-Y in October 2023, the lowest level since February 2022, mainly due a decline in food prices and small price increases in housing & utilities. In Qatar, inflation rose to 2.5% Y-o-Y in October from 1.8% in September, reflecting higher food prices. In Kuwait, inflation was broadly unchanged at 3.8% Y-o-Y in October 2023. Oman's inflation fell to 0.3% Y-o-Y in October 2023 from 1.3% Y-o-Y in September due to lower transportation costs. Bahrain experienced a deflation of 0.1% Y-o-Y in consumer prices in September, after recording no change in August, mainly driven by reductions in housing and utility costs.

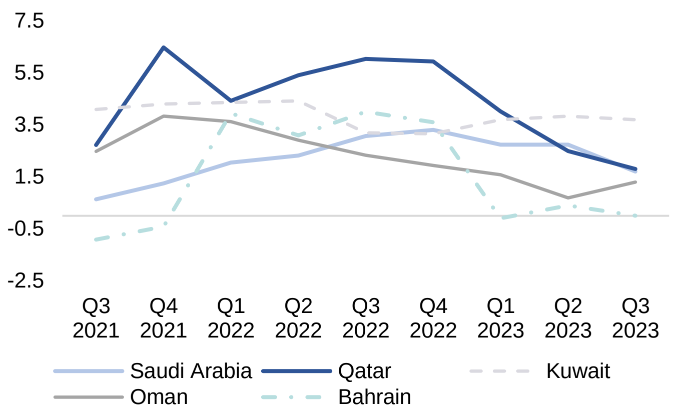
In September and November 2023, the central banks of the GCC economies with currencies pegged to the USD maintained their policy rates unchanged in line with the US Federal Funds Rate. Kuwait, where the currency is pegged to an undisclosed basket of currencies, also left its policy rate unchanged.

Figure 1.6 Policy Rates in Selected Emerging Economies (%)



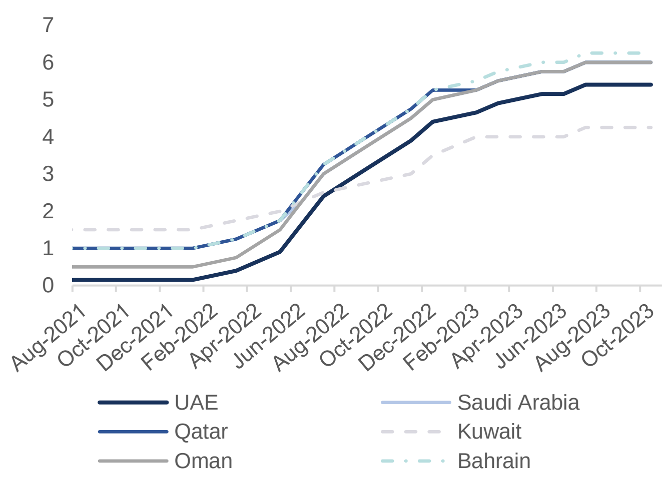
Source: Bloomberg.

Figure 1.7 Average Consumer Price Inflation in GCC Countries (Y-o-Y, %)



Sources: Bloomberg, CBUAE.

Figure 1.8 Policy Rates in GCC Countries (%)



Sources: GCC Central Banks.

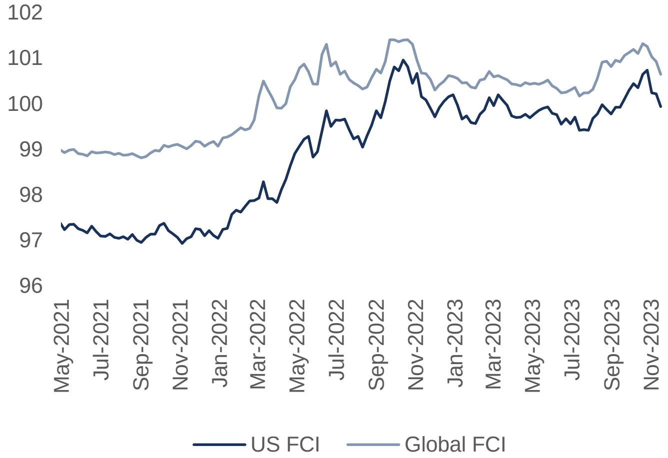
I.3. Global Markets' Developments

US and global financial conditions have tightened significantly	Commodity markets are exhibiting mixed trends due to weak demand and geopolitical factors	Growth in non-oil exports and imports of the UAE continues in 2023

Global Financial Conditions

US and global financial conditions tightened, mainly reflecting expectations that the Federal Reserve will maintain high interest rates for an extended period, which led to rising long-term bond yields and higher borrowing costs. This more than offset the effects of the easing of US inflation from its June 2022 peak and heightened geopolitical tensions, as financial markets remained cautious due to the persistent and sometimes intensifying nature of certain price pressures. Moreover, persistent core inflation in several economies led central banks to consider maintaining a firmer monetary policy for longer than markets have anticipated.

Figure 1.9 Financial Conditions Indices



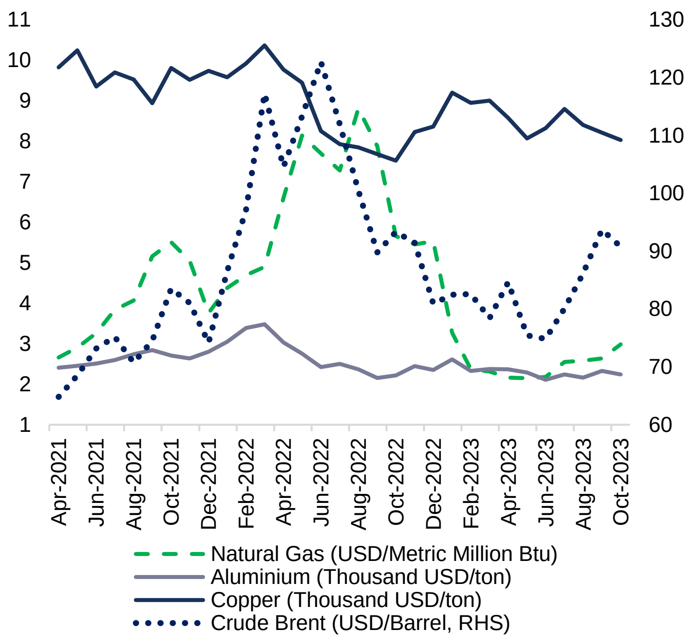
Source: Goldman Sachs Financial Conditions Index.

Commodities

Oil prices displayed significant volatility in the past months, due to expectations of weaker global demand and increasing geopolitical tensions. The price of Brent crude oil fluctuated notably, plummeting to USD 80.1 in July amid anxiety over diminishing demand and surging in October to an average of USD 90.8 due to heightened geopolitical risks that intensified uncertainties surrounding oil supply. The onset of colder weather in the northern hemisphere pushed up natural gas prices due to global supply tightness, with prices reaching USD 2.99 per MMBtu in October.

The demand for aluminum increased, driven by dynamism in the renewable energy sector and electric vehicles in particular, offsetting weaker demand from other sectors like construction. As a result, aluminum prices remained relatively stable, with a 1.1% increase in October 2023 compared to the previous year. Meanwhile, copper prices edged downward, reflecting a downturn in worldwide demand since the previous quarter. The gold market was particularly responsive to geopolitical uncertainty, with a 3.4% price increase observed compared to levels in June 2023. In October 2023, the Food and Agriculture Organization of the United Nations (FAO) Food Price Index showed a marginal decline of 0.5% from September, reflecting price declines across several items, including sugar, cereals, vegetable oils, and meat. Food prices are now 10.9% higher on a Y-o-Y basis.

Figure 1.10 Commodity Prices



Sources: Bloomberg, EIA.

UAE's International Trade

Total non-oil exports (non-oil exports and re-exports) in the first six months of 2023 increased by 14.3% Y-o-Y. The value of total non-oil exports reached AED 501.8 billion, up from AED 438.9 billion during the same period in 2022. This increase largely reflects higher exports of gold and telecommunications equipment.

Non-oil exports of the UAE increased by 15.6% in 2023 H1 compared to the same period last year, amounting to AED 199.6 billion. Switzerland (11.1%) emerged as the UAE's major non-oil export partner, followed by Türkiye (9.4%) and Saudi Arabia (8.6%). Overall, the most exported non-oil goods were gold, accounting for 40% of total non-oil export, followed by aluminum (7.2%), and petroleum oils and oils obtained from bituminous minerals (5.8%).

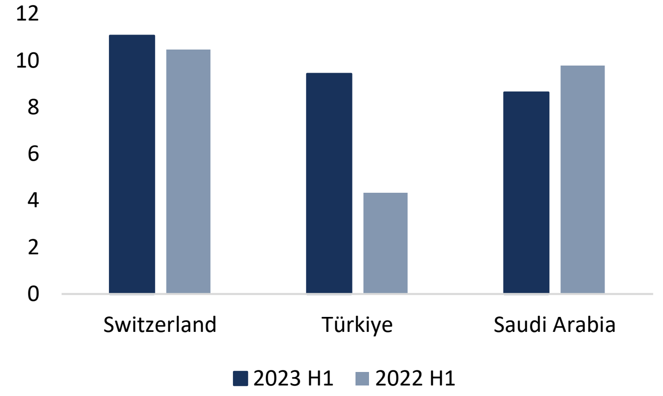
Re-exports also grew significantly in the first half of the year, by 13.5% Y-o-Y, reaching AED 302 billion. Saudi Arabia, with a share of 10.2%, remained the most important destination for UAE re-exports, followed by Iraq (10%), and India (8%). Re-exports became marginally less concentrated, with the share of top 10 trading partners falling to 56.2% from 59.3% in the same period of 2022. Telecommunications equipment and diamonds dominated re-exports, accounting for 17.3% and 13.4% of the total, respectively.

Imports increased by 19.1% in 2023 H1 compared to the same period of the previous year, reaching AED 662.3 billion. The increase was supported by a dynamic non-oil sector and a slight appreciation of the currency vis-à-vis trading partners. Gold topped the list of the most imported goods, accounting for 19.2% of imports, followed by telecommunications equipment (9.5%), diamonds (6.5%) and motor vehicles (5.5%). China was the most important trading partner, accounting for 18.6% of total imports, followed by India (7.7%), and the USA (7.1%).

Exchange rate

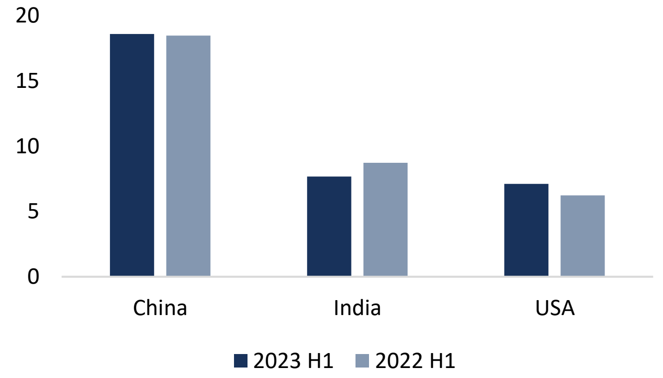
The change in the Nominal Effective Exchange Rate (NEER), which takes into account multilateral rates of the UAE's trading partners, turned negative in October 2023 for the first time in two years, registering a depreciation of 0.8% Y-o-Y in October 2023. The Real Effective Exchange Rate (REER), which adjusts the NEER by the inflation differential with its trading partners, continued to appreciate but at a slower pace, bottoming at 3.7% Y-o-Y in October 2023, down from 14.2% Y-o-Y observed in October 2022. The slowing REER appreciation more recently is not due to the inflation differential but an increasingly weaker USD.

Figure 1.11 UAE Non-Oil Exports to Major Trading Partners (% of Non-Oil Exports)



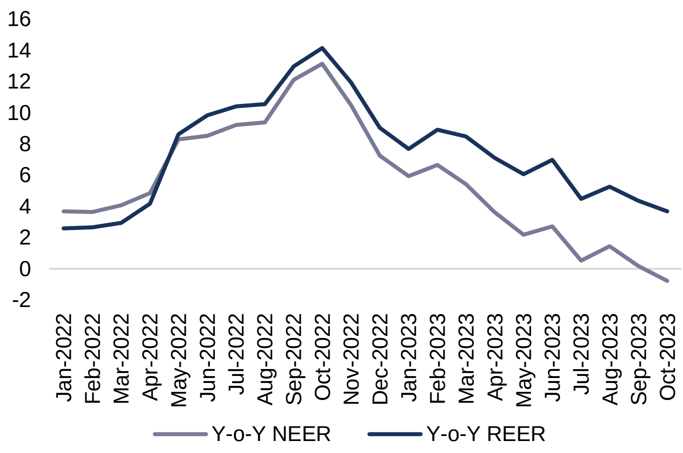
Source: Federal Competitiveness and Statistics Centre.

Figure 1.12 UAE Imports from Major Trading Partners (% of Imports)



Source: Federal Competitiveness and Statistics Centre.

Figure 1.13 Nominal and Real Effective Exchange Rates (positive=appreciation, Y-o-Y, %)



Source: Bank for International Settlements.

Chapter 2

Domestic Economic Developments

II.1. Economic Growth

GDP expanded at 3.8% Y-o-Y in Q2 2023, largely reflecting a slowdown in oil production and a stronger performance of the non-oil sector	Real GDP growth is forecasted to slow to 3.1% in 2023 and to rebound to 5.7% in 2024	OPEC+ agreements weigh on the outlook for oil GDP, while non-oil GDP growth is expected to remain robust yet declining

Real GDP Outlook

In the second quarter of 2023, the UAE economy grew by 3.8% Y-o-Y, compared to 8% Y-o-Y over the same period in 2022 and at par with Q1 2023. While the overall growth rate slightly increased with respect to the first quarter of 2023, there was a compositional shift with stronger activity in the non-oil sector (which accounts for close to 75% of GDP) and a decline in oil production.

The CBUAE revised downward its growth projections for 2023 from 3.3% to 3.1%, largely reflecting the extension of oil production cuts through the end of the year. As OPEC+ announced significant increases in oil production in 2024, the growth projection for the year was revised upwards from 4.3% to 5.7% for 2024. In addition to the changes in oil production reflecting the recent announcements, the forecasts account for a deceleration in the non-oil sector for 2023 and 2024 as global demand softens.

The forecasts for 2023 and 2024 remain subject to uncertainty, in particular due to the evolution of the conflicts in Ukraine and Gaza, faster than expected deceleration in global growth, further OPEC+ cuts or increases in oil production, and subdued oil production of other OPEC+ members.

Non-Oil GDP

Non-oil GDP growth accelerated to 7.3% Y-o-Y in Q2 2023, up from 4.5% Y-o-Y in the previous quarter and 6.4% Y-o-Y over the same period a year ago. Across the different segments of the non-oil economy, a large expansion is registered for financial and insurance services, construction, real estate, wholesale and retail. This led to a revision of the expected growth rate in 2023 and 2024 to 5.9% and 4.7%, respectively.

Oil GDP

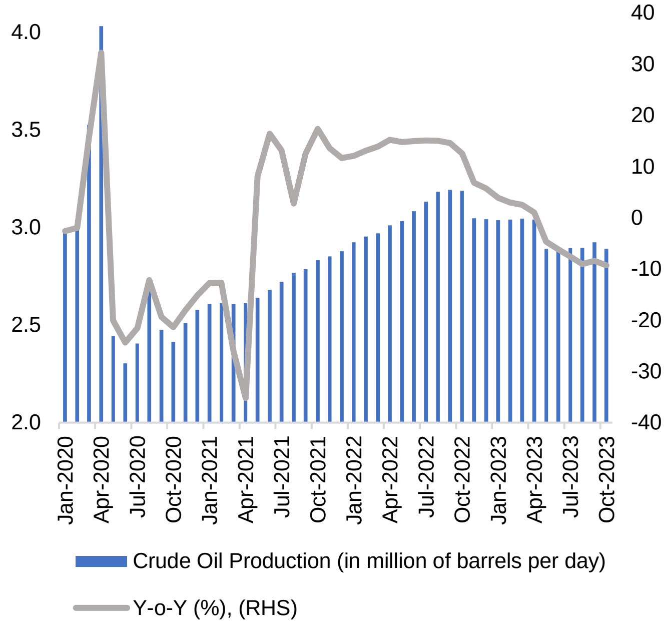
The oil sector GDP growth dropped in the second quarter of 2023 by 5.1% Y-o-Y from a growth of 1.5% Y-o-Y in Q1 2023. The decline reflects the OPEC+ agreements, for which the UAE oil production fell to an average of 2.9 million barrels per day during the quarter. As production cuts are expected to be in place until the end of 2023, oil GDP is expected to contract in 2023 by 3.4% with respect to 2022. As production resumes in 2024 based on the latest OPEC+ agreement, oil GDP growth is forecasted to rebound to 8.1% in 2024, corresponding to an average of 3.2 million barrels per day.

Table 2.1 Real GDP Growth in the UAE (%)

	2020	2021	2022	2023 F	2024 F
Overall GDP	-5.0	4.4	7.9	3.1	5.7
Non-oil GDP	-5.4	6.5	7.2	5.9	4.7
Oil GDP	-3.8	-1.1	9.5	-3.4	8.1

Sources: Federal Competitiveness and Statistics Centre for 2020-22, CBUAE forecasts for 2023-24.
Note: F=forecast.

Figure 2.1 Average UAE Crude Oil Production



Source: Organization of the Petroleum Exporting Countries.

Government Investment and Consumption

In H1 2023, the consolidated fiscal balance recorded a surplus of AED 47.4 billion or an annualized 5.2% of the GDP, compared to a surplus of 13.4% over the same period in 2022.

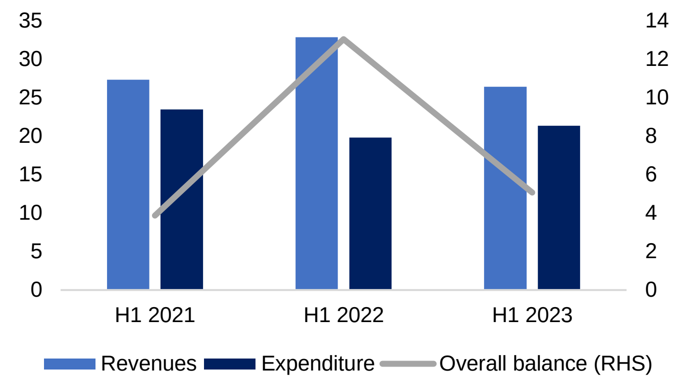
Government revenues reached AED 246.9 billion (or annualized 26.4% of GDP) in the first half of 2023. Lower taxes and other revenues than in H1 2022, partially compensated by higher social contributions, led to a decline in total revenue by 19.2% Y-o-Y. Total expenditures reached AED 199.5 billion (or annualized 21.3% of GDP), marking an 8.3% increase compared to H1 2022. Current spending rose by 8.7% Y-o-Y compared to H1 2022, reaching AED 192.3 billion (or annualized 20.6% of GDP), after increasing by 4.2% Y-o-Y in H1 2022. The increase in expenses reflects higher spending in all sub-categories, partially offset by a decline in use of goods and services and grants. Capital spending, measured by net investment in non-financial assets, dropped by 2.6% Y-o-Y in the first half of 2023 to AED 7.2 billion (or annualized 0.8% of GDP).

Private Investment and Consumption

Economic activity in the non-oil private sector continued to prove very dynamic. UAE PMI rose to 57.7 in October, its highest level since June 2019. The improvement in business conditions was driven by a sharp rise in both business activity and new orders. In particular, new export orders rose at the fastest pace in more than four years. Overall the PMI data points to solid non-oil growth in Q3 and October 2023 and firms were upbeat about the outlook for the coming 12 months.

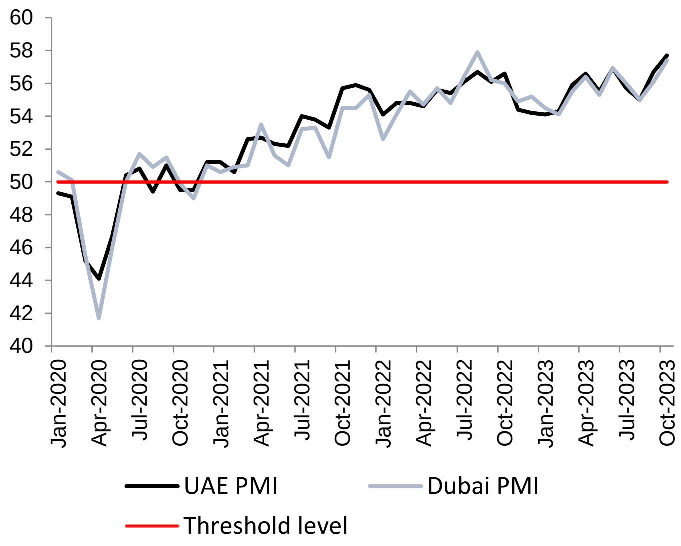
In addition, Dubai's PMI rose to its highest level since August 2022, reaching 57.4 in October. A sharp rise in new orders, which expanded at the fastest pace since mid-2019, was the main driver of the increase in the headline figure. This also boosted business confidence, which rose to the highest level in more than three years. Matching the dynamism in economic activity, private sector employment continued to expand quickly. The number of private sector employees in September was 5.5% higher than a year before. Similarly, the overall wage bill of the private sector increased by 8.2% Y-o-Y[1]. The PMI survey indicated an increase in employment within the UAE to accommodate the significant surge in new orders towards the end of Q3 2023 and into October. Even with robust growth in employment, companies reported a rise in backlogs of work.

Figure 2.2 Consolidated Fiscal Stance (% of GDP)



Sources: UAE Ministry of Finance; Federal Competitiveness and Statistics Centre; CBUAE.

Figure 2.3 UAE PMI (above 50 means expansion)



Source: S&P Global.

[1] Based on the Wage Protection System (WPS) as of mid-November. The reported Y-o-Y growth rates for employment and wages are computed on the 3-month moving average of the respective levels.

II.2. Sectoral Analysis

Real estate continued its solid performance in Q3 and October of 2023	Tourism and hospitality registered high occupancy rates	Abu Dhabi International Airport passengers' traffic increased by 23% Y-o-Y, while in Dubai it rose by 39%

The rest of this section summarizes the recent developments in the real estate sector, the tourism and hospitality sector, and the transportation sector, which collectively represent more than a quarter of the 2022 non-oil GDP.

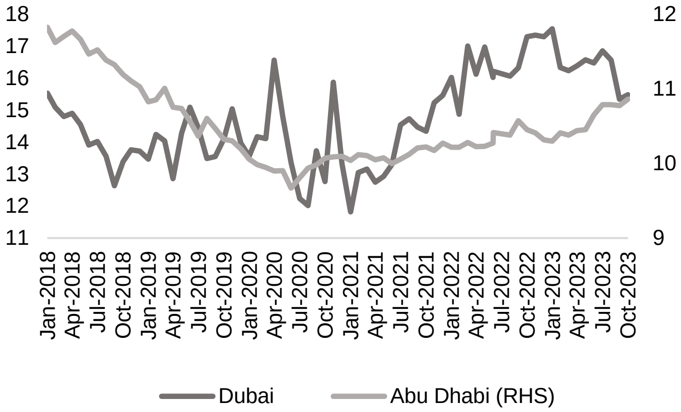
Residential Real Estate

Despite the continuing global uncertainty and tight monetary stances worldwide, the UAE real estate sector continued its good performance in the period from July to October 2023.

In the first nine months of 2023, the value of residential transactions in Abu Dhabi increased by 56% Y-o-Y to AED 67.8 billion. According to REIDIN, the average sales price of residential properties in Abu Dhabi registered a 3.2% increase in Q3 2023 compared to the same period a year ago.[2] In October 2023, sales price growth accelerated to 3.9% Y-o-Y. Average rent continued its upward trend, marking a Y-o-Y increase of 0.8% and 2.6% in the third quarter and October 2023, respectively, after an increase by 0.5% Y-o-Y in Q2 2023. This resulted in an average rental yield of 6.2% in Q3 2023, broadly unchanged compared to 6.3% in October.

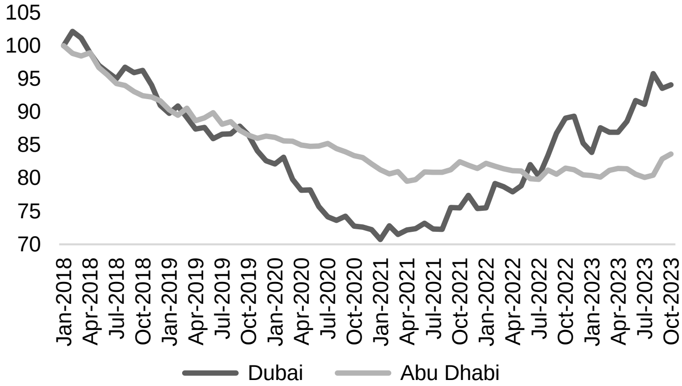
Based on Dubai Land Department (DLD) data during the first 10 months of the year, the value of real estate transactions in Dubai surged by 37% Y-o-Y, surpassing AED 500 billion. The volume of real estate transactions conducted in the initial three quarters of the year increased by 36% Y-o-Y accounting for more than 116,000 transactions. The number of new investors in the Dubai's real estate market increased by 15% Y-o-Y in the first three quarters of 2023, compared to that of 2022. Average residential property sale price in Dubai increased on average by 0.3% Y-o-Y in Q3 2023. Average rent increased by 12% Y-o-Y in Q3 2023, decelerating to 5.7% Y-o-Y in October. This resulted in an average rental yield of 8.8% in Q3 2023, broadly unchanged with respect to the 8.7% registered in October.

Figure 2.4 Average Residential Sale Prices (Thousands of AED per SQM)



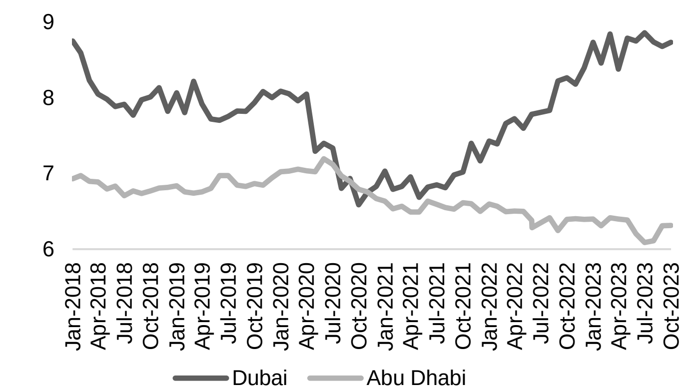
Sources: Dubai Land Department, REIDIN.

Figure 2.5 Average Rent Price Indices (January 2018=100)



Sources: Dubai Land Department, REIDIN, CBUAE calculations.

Figure 2.6 Average Rental Yield (%)



Sources: Dubai Land Department, REIDIN.

[2] REIDIN Residential Sales and Rents Prices cover 7 areas and 5 districts in Abu Dhabi.

Tourism and Hospitality

The UAE has initiated the National Tourism Strategy 2031, part of the “projects of the 50” aiming to establish itself as a top global tourism destination by 2031. The plan targets to raise the tourism sector contribution to GDP by AED 450 billion in addition to attracting investments worth AED 100 billion and hosting 40 million hotel guests annually by 2031.

In the first eight months of 2023, the Abu Dhabi's hospitality sector performed strongly. The total number of hotel guests increased to 3.2 million, a 31% rise compared to the previous year. Hotel occupancy rates were at 70%, with guests staying an average of 2.6 nights. The average revenue per hotel room reached AED 399, marking a 21% increase Y-o-Y.

The first three quarters of 2023 data indicate that Dubai continues to be a prominent hub for global tourism. Hotel occupancy has increased to 75.7%, marking a rise of 4.9 percentage points from the same period in 2022 and exceeding 2019's figures by 2.3 percentage points. Although the average stay per guest decreased from 4 to 3.7 nights, the total number of occupied room nights saw a Y-o-Y increase of 13% in 2023 and a 32% growth from 2019, reaching 30.4 million nights.

The number of international visitors to Dubai reached 12.4mn during the first 9 months of the year, an increase of 23% with respect to the same period in 2022. The outlook for the coming high season is also positive, with many hotels reporting full occupancy through Q4 2023 on the back of the upcoming COP28. The event will attract over 70,000 delegates from more than 190 countries. With this promising trend, Dubai is expected to surpass its 2019 visitor count of 16.7 million.

Transportation

Abu Dhabi International Airport experienced a substantial increase in passenger traffic, reaching almost 6 million passengers in Q3 2023, 29.3% Y-o-Y. The airport also registered 37,903 aircraft movements in Q3 2023, marking a 21.8% increase from Q3 2022. Moreover, Abu Dhabi's global reach has notably widened, with 119 destinations now accessible via 24 airlines from the airport. In the third quarter of 2023, the most frequented routes were to London, Mumbai, and Kochi. In addition, the Abu Dhabi International Airport's Terminal A opened in November 2023 and is expected to significantly boost the airport's overall capacity.

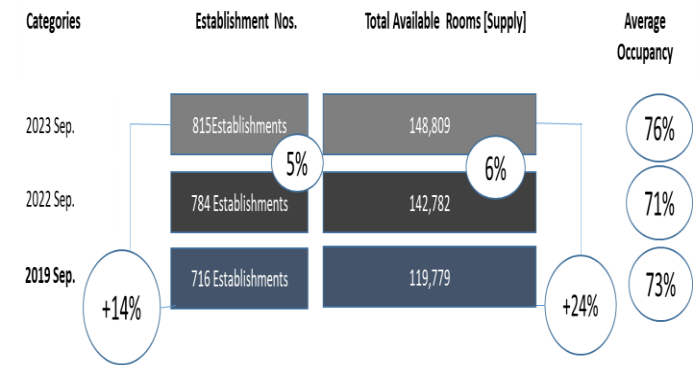
Dubai Airports has updated its forecast for 2023, now expecting 86.8 million passengers, an increase from the previously anticipated 85 million. This revision indicates that Dubai International Airport is on track to exceed its pre-pandemic passenger traffic of 86.3 million in 2019. In the first three quarters of the year, the airport managed 64.5 million passengers, with a notable 22.9 million recorded in Q3, coinciding with peak summer travel. This represents a 39.3% increase from the same period in 2022 and is 1% higher than in 2019. In terms of passenger destinations, India, Saudi Arabia and the UK remain the top source of travelers.

Figure 2.7 Tourism Sector Performance in Abu Dhabi in August 2023 (YTD)

YTD Aug. 2023 Performance	Hotel Guests 3,246K	Hotel Occupancy 70%	Hotel ALOS 2.6 Nights	ARR (AED) 399	REVPAR (AED) 278	Revenues (AED) 3,805million
% Change vs 2022	+31%	0%	-15%	+21%	+21%	+24%

Source: Abu Dhabi Department of Culture and Tourism.
Notes: ALOS refers to average length of stay, ARR is average room rate and REVPAR is revenue per available room.

Figure 2.8 Accommodation Supply and Demand in Dubai in September 2023 (YTD)



Source: Dubai Department of Economy and Tourism.

II.3. Inflation

The CBUAE lowered its inflation projections to 2.4% for 2023 and to 2.1% for 2024	Dubai's CPI inflation continued to decelerate through Q3 of 2023 in line with global trends	Growth in demand for real estate in Dubai positively impacted housing group prices

Inflation Outlook

Based on information available at the time of writing, the CBUAE has marginally lowered its inflation projections for 2023, from 2.8% to 2.4%. The downward revision mainly reflects the stronger-than-expected pass-through of the decline in food prices and appreciating AED, partially offset by rising housing prices. Wages increase in the first 10 months of 2023 remain also moderate. In 2024, inflation is projected to slow further to 2.1%, a downward revision from 2.6%, in line with global disinflationary trends.

Inflation in Dubai

Dubai's CPI inflation continued to ease in the third quarter of 2023 in line with global trends and remained below the global average. According to the Dubai Statistics Center (DSC), the CPI headline inflation averaged 2.4% Y-o-Y in the third quarter of 2023, down from 2.8% Y-o-Y in Q2 2023.[3] However, in October 2023, consumer prices picked up by 4.3% Y-o-Y. Inflation of non-tradeable goods and services was 2.1% Y-o-Y in Q3 2023, down from 2.9% Y-o-Y in the previous quarter, while reversing their downward trend to 3.3% Y-o-Y in October. Similarly, inflation of tradable goods and services declined to 0.3% Y-o-Y in Q3 2023 from 2.3% Y-o-Y in the previous quarter, and rose in October to 1% Y-o-Y.

The lower CPI inflation in Q3 2023 was primarily driven by a 10.4% Y-o-Y decline in transport prices, as a result of the softening in global energy prices. In addition, the recreation, sport and culture prices dropped by 2.9% Y-o-Y. However, as the energy prices recovered, transport prices (whose weight in the CPI basket is 9.3%) increased to 4.7% Y-o-Y in October, driving up the headline inflation. The housing, water, electricity, gas and other fuels prices, with a weight as high as 40.7%, increased by 6.1% Y-o-Y in both Q3 and October 2023, up from 5.7% Y-o-Y in Q2 2023. These figures mirror the high demand in the real estate sector as well as increasing rent prices. As for other categories with relatively large weights in the CPI basket, food and beverages continued to display a declining trend, reaching 3.5% Y-o-Y in both Q3 and October 2023.

Table 2.2 Dubai CPI Inflation (Y-o-Y, %)

	Weight	Q2 23	Q3 23	Oct. 23
General Index	100.0	2.8	2.4	4.3
Non-Tradeable	74.9	2.9	3.3	4.5
Tradeable	25.1	2.3	1.2	3.9
Housing, water, electricity, gas and other fuels	40.7	5.7	6.1	6.1
Food and beverages	11.7	4.8	3.5	3.5
Transport	9.3	-9.8	-10.4	4.7
Education	8.1	0.5	2.2	3.4
Restaurants and accommodation services	6.1	5.7	3.2	2.9
Information and communication	5.7	0.3	0.4	0.7
Personal care, social protection and miscellaneous goods and services	5.1	2.6	1.8	1.8
Clothing and footwear	5.0	4.4	2.7	2.3
Furnishings, household equipment and routine household maintenance	3.5	8.2	7.6	7.3
Recreation, sport and culture	2.4	0.5	-2.9	-2.6
Insurance and financial services	1.3	5.0	7.8	9.0
Health	0.9	0.7	0.7	0.7
Tobacco	0.3	-8.1	-6.6	-6.0

Source: Dubai Statistics Center.

[3] The reported Y-o-Y inflation rates are computed on the quarterly averages of the price levels.

Chapter 3

Monetary and Financial Markets Developments

III.1. Money Supply and Interest Rates

Monetary aggregates M1, M2 and M3 grew in Q3 2023 by 10%, 16% and 14.5% Y-o-Y, respectively	The CBUAE's kept its Base Rate unchanged since July	The DONIA remained below the Base Rate, with the gap averaging 33 bps since the end of Q2

Monetary Aggregates

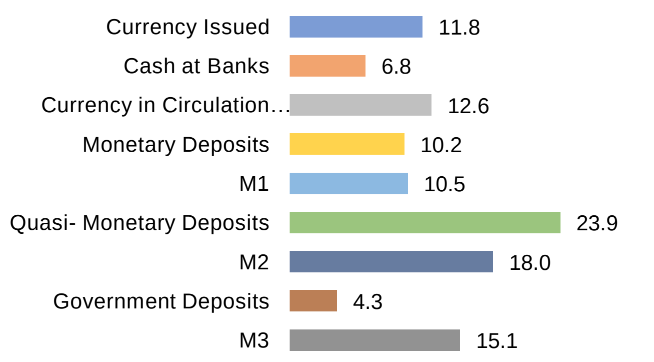
M1 rose by 10.5% Y-o-Y, standing at AED 799 billion at the end of October 2023.[4] This reflects a 12.6% Y-o-Y increase in currency in circulation (14% of M1) and a 10.2% increase in monetary deposits (86% of M1). M2 increased by 18% Y-o-Y reaching AED 1,922 billion, owing to the increase in M1 and a rise in quasi-monetary deposits (58.4% of M2) by 23.9% Y-o-Y.[5,6] M3 grew by 15.1% Y-o-Y, reaching AED 2,377 billion.[7] The rise in M3 largely reflects a 4.3% increase in government deposits at commercial banks and at the CBUAE (19.1% of M3).

Interest Rates

Consistent with the US Federal Reserve, the CBUAE kept its key policy rate unchanged since July, with the Base Rate at 5.4%. As a consequence, overnight interbank rates have been somewhat range-bound since then. The spread between overnight interbank rates and the Base Rate persisted through mid-to-late 2023, with DONIA averaging around 33 basis points lower than the Base Rate since Q2. This reflects the persistence of a large volume of excess reserves in the banking system, which averaged AED 112.2 billion since mid-year.

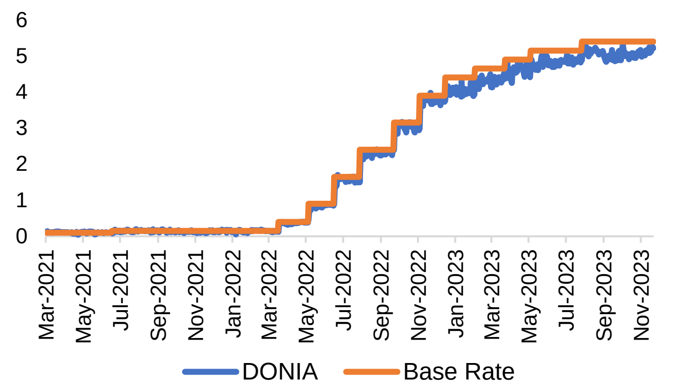
Consistent with the overnight rate, domestic rates at longer tenors continued to reflect an abundance of AED liquidity. Longer tenors also broadly followed market-based expectations of USD rates, where domestic rates appear aligned with an expected cut in the Fed Funds Target Rate in June 2024. Such trends are broadly evident in Monetary Bills auctions, where the spreads between the longest and shortest maturities have become narrower since mid-year. Nonetheless, volatility at longer maturities has been elevated as the timing and magnitude of such changes continues to be subject to considerable uncertainty.

Figure 3.1 Change in Monetary Aggregates and their Components in October 2023 (Y-o-Y, %)



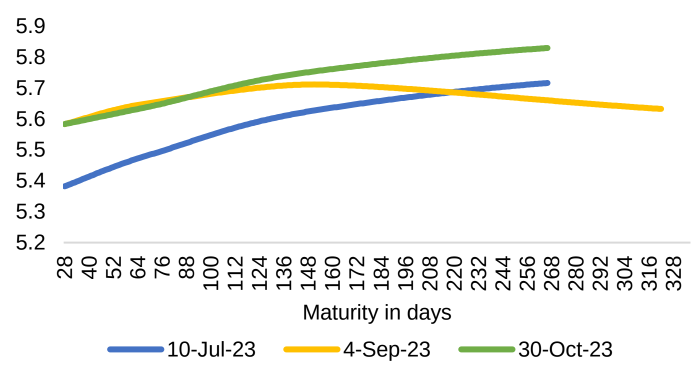
Source: CBUAE.
Note: Data as of end of period.

Figure 3.2 DONIA and Base Rate (%)



Source: CBUAE.

Figure 3.3 Monetary Bills Yield Curve (%)



Sources: Bloomberg, CBUAE.

[4] M1 consists of monetary deposits and currency in circulation outside banks.
[5] M2 is equal to M1 plus the quasi-monetary deposits.
[6] Quasi-monetary deposits include resident time deposits in AED and all types of foreign currency deposits.
[7] M3 is equal to M2 plus government deposits at the CBUAE and commercial banks.

III.2. Banking Developments

The banking system's loan portfolio expanded by 5.8% Y-o-Y driven by the domestic private sector	The credit sentiment survey points to sustained household and corporate sectors loan demand	Strong deposit growth of 10.7% Y-o-Y continued to support favorable funding and liquidity buffers

Banking System Assets and Structure

The UAE banking sector's total assets expanded by 10.3% Y-o-Y reaching AED 3,952 billion by the end of Q3 2023. The number of licensed banks in the UAE remained at 61, of which 22 were national banks and 39 were foreign banks. The UAE banking sector's move towards digitalization has led to the continued moderation in physical bank branches.

Banking System Credit and Deposits

The UAE banking system's lending portfolio grew by 5.8% Y-o-Y as of the end of Q3 2023. This was driven largely by domestic credit, which grew by 5.1% Y-o-Y to AED 1,740 billion. The domestic credit growth reflected the credit expansion in private retail and corporate sectors, which increased by 10.7% and 2.9% Y-o-Y respectively. Meanwhile, lending to Government Related Entities (GREs) continued, growing by 9.7% Y-o-Y. Domestic retail credit grew across key sub-categories, mainly mortgage loans, personal loans, and credit cards. Foreign credit grew by 10.7% Y-o-Y, primarily to corporate borrowers although at a slower pace compared to the same period last year.

Favorable liquidity and funding buffers were supported by strong deposit growth of 10.7% Y-o-Y. The growth was driven by resident retail, private corporates and government sector deposits that grew by 17.1%, 21.4% and 5.4% Y-o-Y, respectively. On the other hand, non-resident deposits growth continued to contract. The loan-to-deposit ratio stood at 81.9% as deposit growth remained higher than credit growth, supporting banks' ample lending capacity and growth in credit.

The CBUAE Credit Sentiment Survey

The Q3 2023 CBUAE Credit Sentiment Survey highlighted continued consumer loan demand and financial institutions' appetite to extend credit. A positive outlook on the domestic economy continued to outweigh the higher interest rates impact, resulting in improved credit sentiment. Business loan demand was strong in the manufacturing sector, followed by the wholesale and retail trade sector. Meanwhile, credit cards, personal, housing and car loans were the main drivers behind the increase in household loan demand.

Table 3.1 Assets and Credit at UAE Banks (AED billions)

	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023
Total Assets	3,583	3,668	3,765	3,873	3,952
(Y-o-Y change)	10.3%	10.4%	12.8%	12.3%	10.3%
Gross Credit	1,873	1,879	1,896	1,945	1,982
(Y-o-Y change)	5.5%	4.8%	3.5%	4.2%	5.8%
Domestic Credit	1,655	1,651	1,674	1,717	1,740
(Y-o-Y change)	3.3%	2.0%	2.1%	3.5%	5.1%
Government	213	212	216	219	213
(Y-o-Y change)	-13.3%	-10.3%	-4.8%	-1.6%	0.0%
GREs	256	253	245	264	280
(Y-o-Y change)	14.8%	3.2%	-7.1%	1.7%	9.7%
Private Sector	1,174	1,173	1,200	1,222	1,236
(Y-o-Y change)	4.9%	4.7%	5.9%	5.1%	5.3%
Retail	369	375	384	396	408
(Y-o-Y change)	7.2%	7.8%	7.7%	9.6%	10.7%
Wholesale	805	798	816	826	828
(Y-o-Y change)	3.8%	3.2%	5.1%	3.0%	2.9%
NBFIs	14	13	13	12	11
(Y-o-Y change)	-8.2%	-23.2%	-18.1%	-10.2%	-18.5%
Foreign Credit	218	229	222	228	241
(Y-o-Y change)	25.0%	30.5%	15.2%	9.8%	10.7%

Source: CBUAE.
Note: Data as of end of period.

Table 3.2 Total Deposits at UAE Banks (AED billions)

	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023
Bank Deposits	2,187	2,222	2,306	2,382	2,421
(Y-o-Y change)	12.6%	11.3%	14.9%	13.9%	10.7%
Resident Deposits	1,958	2,010	2,093	2,171	2,231
(Y-o-Y change)	15.3%	13.8%	16.8%	17.8%	13.9%
Government Sector	402	397	406	426	423
(Y-o-Y change)	35.3%	37.7%	39.5%	34.2%	5.4%
GREs	232	217	214	214	231
(Y-o-Y change)	5.5%	-12.5%	-10.4%	0.7%	-0.5%
Private Sector	1,275	1,350	1,423	1,482	1,525
(Y-o-Y change)	11.2%	13.3%	16.6%	17.1%	19.6%
Retail	537	559	601	618	628
(Y-o-Y change)	5.7%	7.6%	15.1%	16.7%	17.1%
Wholesale	738	790	822	864	896
(Y-o-Y change)	15.6%	17.7%	17.7%	17.3%	21.4%
NBFIs	50	47	49	50	51
(Y-o-Y change)	38.7%	22.0%	20.8%	3.1%	3.8%
Non-Resident Deposits	229	213	213	211	190
(Y-o-Y change)	-6.0%	-8.0%	-0.7%	-15.0%	-16.8%

Source: CBUAE.
Note: Data as of end of period.

III.3. Financial Developments

The UAE banking system remained well capitalized with adequate liquidity and funding levels	In Q3 2023, share prices rose by 21.6% Y-o-Y in Dubai and 0.3% Y-o-Y in Abu Dhabi	CDS premiums for Abu Dhabi and Dubai remained close to historical minima

Financial Soundness Indicators

The banking system in the UAE maintained sufficient capital levels, well above the minimum regulatory requirements. The overall capital remained adequate, with the Capital Adequacy Ratio increasing to 18.5% and the Common Equity Tier-1 ratio to 15.6%.

The aggregate banking system's funding and liquidity conditions remained favorable during Q3 2023, supported by robust deposits growth. Liquidity ratios remained well above the minimum regulatory requirements, with the Liquidity Coverage Ratio at 151% and the Eligible Liquid Assets Ratio at 20.7%.

The stock of non-performing loans continued to decline in Q3 2023, resulting in an improvement in the asset quality ratio compared to the pandemic's peak. The Net NPL ratio moderated to 2.7% in Q3 2023.

Equity Markets

The Abu Dhabi Securities Market General Index increased by 0.3% Y-o-Y in Q3 2023, while the market capitalization increased to AED 2.8 trillion. The Dubai Financial Market General Index rose by 21.6% Y-o-Y in the third quarter of 2023, with the market capitalization reaching AED 0.7 trillion.

Credit Default Swaps (CDS)

The CDS for the government of Abu Dhabi rose from 40.2 bps in Q2 2023 to 48.8 bps in October 2023. The Abu Dhabi CDS level remains low, a testament to its dynamic economy, strong fiscal position and large sovereign wealth funds. Abu Dhabi continues to have one of the lowest CDS premiums in the Middle East and Africa region. Dubai's CDS slightly declined from 80.8 bps in Q2 2023 to 80 bps in October 2023, remaining significantly below the 2022 levels due to the declining debt-to-GDP ratio.

Table 3.3 UAE Financial Soundness Indicators

	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023
Capital Adequacy					
Capital Adequacy Ratio	17.5%	17.4%	17.8%	18.2%	18.5%
Tier 1 Capital Ratio	16.3%	16.2%	16.6%	17.0%	17.4%
Common Equity Tier 1 Ratio	14.5%	14.4%	14.8%	15.3%	15.6%
Liquidity and Funding					
Advances to Stable Resources Ratio	76.4%	75.6%	74.8%	73.8%	76.5%
Net Stable Funding Ratio[3]	111.9%	111.2%	112.7%	114.4%	111.7%
Loan-to-deposit Ratio	85.7%	84.6%	82.2%	81.6%	81.9%
Eligible Liquid Assets Ratio	17.3%	19.1%	19.7%	20.8%	20.7%
Liquidity Coverage Ratio[3]	154.7%	156.0%	154.8%	162.5%	151.0%
Asset Quality					
Net Non-Performing Loans Ratio[4]	3.2%	3.0%	2.9%	2.8%	2.7%
Specific Provision Coverage Ratio	59.6%	60.4%	60.8%	61.6%	60.9%
Total Provision Coverage Ratio	87.0%	88.6%	90.9%	92.7%	91.9%

Source: CBUAE.
Notes: Data as of end of period.
[3] Liquidity Coverage Ratio and Net Stable Funding Ratio apply to five approved banks.
[4] The Net Non-Performing Loans Ratio excludes specific provisions and provides a better indicator of asset quality, taking into account the provisioning levels in the UAE banking system.

Table 3.4 UAE Equity Markets

			Q4 2022	Q1 2023	Q2 2023	Q3 2023
ADX	Share Price Index*	Y-o-Y	25.2%	4.0%	-3.9%	0.3%
	Market Capitalization*	AED bn	2574.1	2591.6	2754.4	2841.7
		Y-o-Y	63.7%	47.8%	40.3%	35.1%
	Traded Value**	AED bn	92.6	85.4	64	70.9
		Y-o-Y	-21.6%	-15.4%	-35.2%	-19.5%
DFM	Share Price Index*	Y-o-Y	9.4%	0.6%	6.1%	21.6%
	Market Capitalization*	AED bn	577.6	589	630.9	689.6
		Y-o-Y	44.7%	39.7%	13.8%	21.6%
	Traded Value**	AED bn	20.4	19	26.5	30.9
		Y-o-Y	-36.7%	-16.3%	-0.3%	56.1%

Source: Securities and Commodities Authority.
Notes: *Denotes average in the month or quarter, ** Denotes end-of-month or quarter values.

Table 3.5 UAE – Sovereign Credit Default Swaps (average, bps)

	2022				2023			
	Q1*	**Q2***	**Q3***	**Q4***	**Q1***	**Q2***	**Q3***	**Oct-23****
Abu Dhabi	50.4	60	56.8	52.6	43.1	40.2	36.0	48.8
Dubai	98.9	113	126	107	78.0	80.8	69.6	80.0

Source: Bloomberg.
Notes: *Denotes average in the quarter, ** Denotes average in the month.

III.4. Insurance Sector Developments

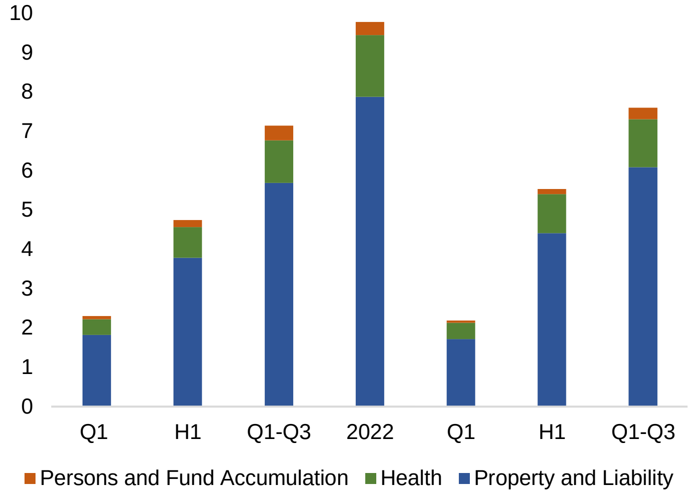
14.4% Y-o-Y growth of gross written premiums in the sector, and 23.5% Y-o-Y increase in the gross paid claims in Q3 2023	9% Y-o-Y increase in total technical provisions in Q3 2023	The insurance sector remained well capitalized with capital adequacy ratios and asset quality ratio in Q3 2023

Insurance Sector Structure and Activity

The UAE insurance sector continued to grow in Q3 2023, as reflected by the increase in the number of insurance policies in line with the increase in the gross written premiums.

By the end of Q3 2023, the number of licensed insurance companies in the UAE remained at 60. The sector comprised 23 traditional national companies, 10 Takaful national and 27 foreign companies. The number of insurance-related professions remained at 491 at the end of the third quarter of 2023.

Figure 3.4 Number of Written Insurance Policies (millions)



Source: CBUAE.
***** Preliminary data, accumulative at end of period.

Gross Written Premiums (GWP)

GWP increased by 14.4% Y-o-Y at the end of Q3 2023 to AED 42 billion mostly due to an increase in health insurance premiums by 22.6% Y-o-Y, and an increase in property and liability insurance premiums by 13.7% Y-o-Y. Meanwhile, the insurance of persons and fund accumulation premiums decreased by 7% Y-o-Y, mainly due to a drop in individual life insurance premiums.

Paid Claims

Gross paid claims of all types of insurance plans increased by 23.5% Y-o-Y to AED 23.1 billion at the end of September 2023. This was mainly driven by the increase in claims paid in property and liability insurance by 9.6%, health insurance by 22%, and in insurance of persons and fund accumulation by 11.1% Y-o-Y.

Technical Provisions

The total technical provisions[8] of all types of insurance increased by 9.0% Y-o-Y to AED 75.0 billion at the end of September 2023 compared to AED 68.8 billion a year ago.

Investments

The volume of invested assets of the insurance sector amounted to AED 74.4 billion (56.5% of total assets) by the end of Q3 2023 compared to AED 72.2 billion (61.1% of total assets) at the end of September 2022.

Table 3.6 Key Indicators of the Insurance Sector (AED billions)

Description	2022				2023*		
	Q1	H1	Q1-Q3	2022	Q1	H1	Q1-Q3
1- Gross Written Premiums	**15.6**	**26.7**	**36.7**	**47.2**	**17.8**	**27.2**	**42.0**
• Property & Liability	5.6	9.8	14.6	17.8	6.5	9.9	16.6
• Health Insurance	8.1	11.4	16.4	21.7	9.3	14.0	20.1
• Persons and Fund Accumulation	1.9	5.5	5.7	7.7	2.0	3.3	5.3
2- Gross Claims Paid	**6.5**	**13.1**	**18.7**	**27.7**	**7.1**	**14.1**	**23.1**
• Property & Liability	1.9	3.5	5.2	7.6	1.7	3.9	5.7
• Health Insurance	4.0	7.1	11.8	17.1	4.9	9.2	14.4
• Persons and Fund Accumulation	0.6	2.5	2.7	3.6	0.5	1.0	3.0
3- Technical Provisions	**68.4**	**70.3**	**68.8**	**68.6**	**73.7**	**76.7**	**75.0**
4- Total Invested Assets	**70.4**	**71.8**	**72.2**	**71.4**	**70.5**	**72.9**	**74.4**
5- Total Assets	**120.2**	**121.2**	**118.2**	**120.1**	**128.3**	**127.7**	**131.6**
6- Total Equity	**27.0**	**26.7**	**27.1**	**26.9**	**26.3**	**27.0**	**27.9**

Source: CBUAE.
***** Preliminary data, accumulative at end of period.

[8] The technical provisions that the insurers must deduct and maintain to meet the insured's accrued financial liabilities as per Law's stipulations and financial regulations for insurance and Takaful companies.

Reinsurance

The retention ratio[9] of written insurance premiums for all types of insurance reached 52.5% (or AED 22.0 billion) at the end of September 2023, compared to 51.2% (or AED 18.8 billion) a year earlier.

Insurance Soundness Indicators

The UAE insurance sector remained well capitalized in terms of early warning ratios.

Own funds to minimum capital requirement ratio increased to 349.8% at the end of Q3 2023, compared to 325% a year earlier, due to an increase in own funds eligible to meet the minimum capital requirements.[10]

Own funds to solvency capital requirement ratio rose to 207.3% at the end of September 2023 compared to 203.6% at the end of Q3 2022, due to an increase in own funds eligible to meet solvency capital requirements.

Meanwhile, the own funds to minimum guarantee fund (MGF) ratio reached 310.6% at the end of Q3 2023 down from 323.1% at the end of September 2022, due to MGF increasing more than the increase in own funds.

In terms of profitability, the net total profit to net written premiums increased to 12.1% at the end of Q3 2023, compared to 8.4% a year earlier.

The return on average assets increased to 0.6% at the end of September 2023, compared to 0.4% at the end of Q3 2022.

Table 3.7 Insurance Soundness Indicators (%)

Description	2022				2023*		
	Q1	H1	Q1-Q3	2022	Q1	H1	Q1-Q3
1- Reinsurance ratio							
Retention ratio	52.1	57.8	51.2	54.9	53.2	53.8	52.5
2- Capital Adequacy Ratios							
Own funds to Minimum Capital Requirement (MCR)	275.4	274.0	325.0	309.3	340.6	352.4	349.8
Own Funds to Solvency Capital Requirement (SCR)	175.9	170.8	203.6	208.5	198.0	203.4	207.3
Own Funds to Minimum Guarantee Fund (MGF)	287.3	280.8	323.1	314.6	309.3	308.9	310.6
3- Earnings Ratios							
Net total profit to net written premiums	9.4	8.8	8.4	2.9	7.8	10.4	12.1
Return on average assets	0.6	0.5	0.4	0.1	0.5	0.5	0.6

Source: CBUAE.
*Estimated data, accumulative at end of period.

[9] Retention ratio = net written premiums ÷ gross written premiums.

[10] Own funds refer to the capital that an insurance company has available to meet solvency requirements, which includes admissible assets less liabilities.

Head Office
Central Bank of the UAE
King Abdullah Bin Abdul-Aziz Al Saud Street
P. O. Box 854
Abu Dhabi
United Arab Emirates

Dubai Branch
26th
Street
Bur Dubai
P. O. Box 448
Dubai
United Arab
Emirates

Sharjah Branch
King Abdul Aziz
Street Sharjah
Industrial Area
P. O. Box 645
Sharjah
United Arab
Emirates

Ras Al Khaimah Branch
Al Muntasir Road
P. O. Box 5000
Ras Al Khaimah
United Arab
Emirates

Fujairah Branch
Hamid Bin
Abdullah Road
P. O. Box 768
Fujairah
United Arab
Emirates

Al Ain Branch
Ali Bin Abi Talib Street
P. O. Box 1414
Al Ain
United Arab Emirates

For further information, contact
Toll Free: 800 CBUAE (800 22823)
Telephone: +9712-6652220
Fax: +9712-6652504