



بنك دبي الإسلامي
Dubai Islamic Bank

ECONOMIC BITES

Monthly Updates
from DIB
January 2025



Macroeconomic Update - UAE & KSA | January 2025



“ This monthly macroeconomic update provides an overview of key economic indicators in the UAE and Saudi Arabia (KSA) for the month of January 2025. Both the UAE and KSA continue to experience sustained robust growth, bolstered by diversification efforts, investments in non-oil sectors, and supportive government policies. Meanwhile, the US Federal Reserve cut the Fed Funds rate by another 25bps in December to 4.5% in a widely expected move. Fed Chair Powell highlighted that while risks to the Fed’s goals - price stability & maximum employment - are balanced, inflation is the bigger concern, and the Fed may slow rate cuts. A slower rate cut would still result in lower benchmark rates in the GCC in 2025. This will be supportive of higher economic activity in the UAE and wider region. ”



I. PMI Readings: Economic Health in Focus

UAE PMI: Non-oil private sector PMI rose to a nine month high of 55.4 in December 2024 vs. 54.2 in November 2024. This expansion was primarily driven by expansion in new orders, particularly domestic orders, driving a sharp increase in output. On the flip side, backlogs grew rapidly as higher orders did not translate into an equivalent rise in staff hiring.

Key insights are:

Businesses continued to see subdued **pricing power** as higher demand has not resulted in higher prices for their output. Firms continued to offer price discounts to win over clients in the face of competition.

Looking ahead, a **sustained higher demand** and contained **wage inflation** will be required for firms to add production capacity and hiring activity.

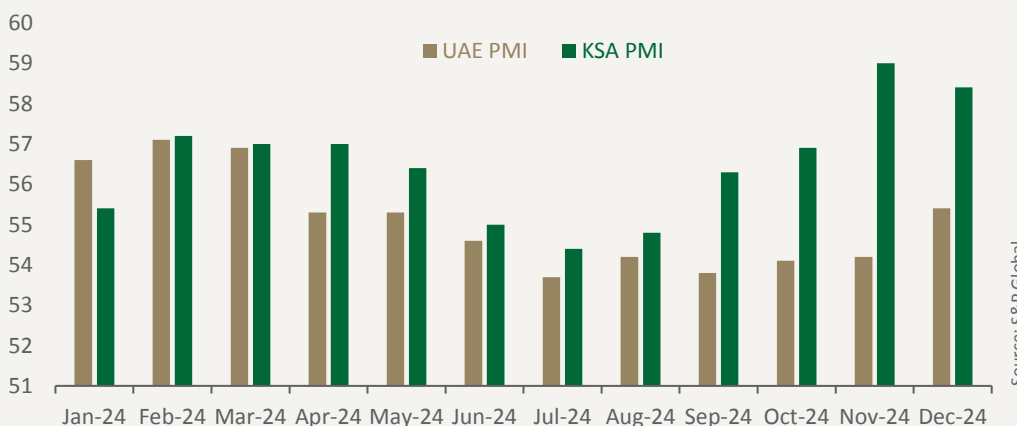
KSA PMI: Saudi Arabia’s non-oil private sector PMI for December 2024 was at a robust 58.4 vs. 59 in November 2024, driven by the Kingdom’s economic diversification efforts under Vision 2030. Higher sales has translated into firms investing into capacity expansion and job creation (although hiring activity softened from November).

Key Insights are:

Average prices charged by firms have seen only a marginal uptick even with higher sales order. This is driven largely by more seller competition. This has helped contain ‘profit-led’ inflation in the Kingdom.

Input cost inflation continues to be a challenge - a stronger US Dollar will likely help contain import inflation. Business sentiment remains robust on higher sales.

Fig.1: UAE & KSA non-oil private PMI remains robust on new orders





II. Dubai CPI Inflation: Decelerates in December

In Dubai, CPI inflation cooled to 2.9% y-o-y in December 2024 vs. 3% in November 2024 helped by transport prices (-4.9% y-o-y vs. -4.3% y-o-y), restaurant services prices (-0.8% y-o-y vs. 0.7%) & information & communication prices (-2.1% y-o-y vs -1.9% y-o-y). Housing inflation remained unchanged from November at 7.2% y-o-y.

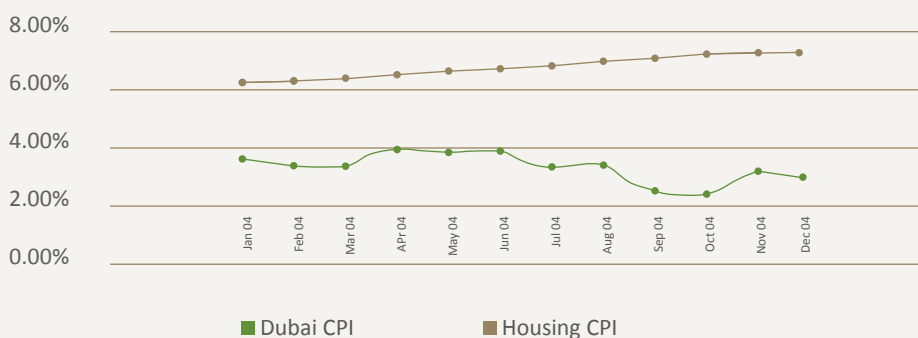
Key insights are:

In 2025, we expect transport prices to be deflationary on lower oil prices.

With a stronger than expected USD, UAE's import inflation - particularly food - will remain contained.

Housing inflation will likely prop headline inflation as the population of the emirate continues to rise leading to higher demand for housing.

Fig.2: Dubai: Headline CPI softens in December



Source: Dubai Statistics Center





III. KSA: CPI inflation falls below 2% in December

CPI inflation in the Kingdom remained contained at 1.9% y-o-y in December 2024 vs. 2% in November 2024. Housing, water, electricity, gas, and other fuels continued their northward march, rising 8.9% y-o-y. Food & beverage price increase (0.8% y-o-y) was offset by a decline in transport inflation (-2.5% y-o-y) in December.

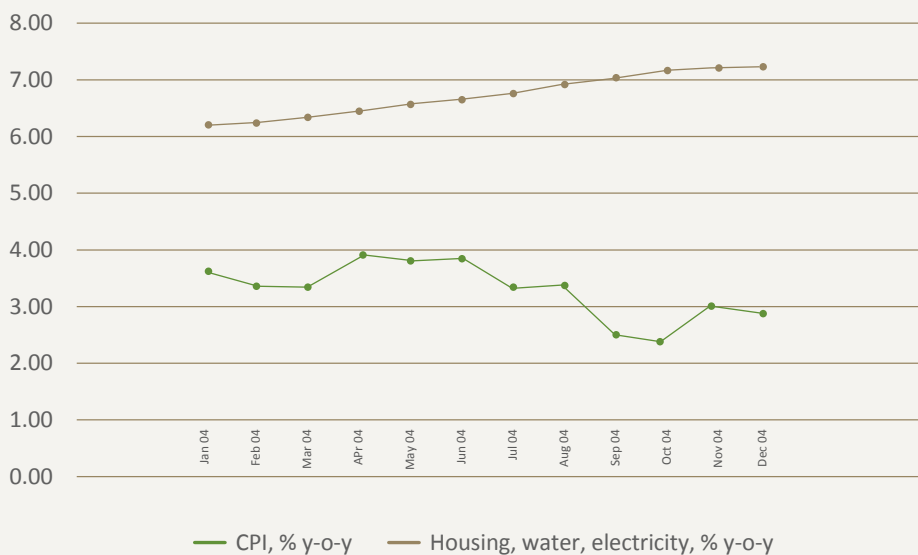
Key insights are:

On an annual basis, CPI averaged 1.7% y-o-y in 2024 down from 2.3% in 2023 as most categories saw prices cooling off except housing.

Looking ahead in 2025, we expect businesses to pass over higher input prices to consumers due to upbeat business confidence fueled by sustained higher domestic and export orders.

As per KSA Budget document released in December 2024, CPI is forecasted to average 1.9% in 2025 up from 1.7% in 2024.

Fig.3: KSA: CPI inflation falls below 2% in December



Source: General Authority for Statistics



"They say the sky is the limit.
We say: the sky is only the beginning."
H.H. Sheikh Mohammed Bin Rashid Al Maktoum
UAE Vice President, Prime Minister and Ruler of Dubai



IV. Dubai Real Estate Transactions: 2024 in review

Dubai's real estate market in 2024 saw a continuation in the upward momentum observed since 2021-2022. Cash buyers (~65%) dominated the real estate market in Dubai in 2024. Looking ahead, in 2025 we expect higher rentals and lower rates to push demand for mortgage buying further.

Key features of this market in 2024:

Sales value climbed 27% y-o-y to AED520B (vs. AED410B in 2023)

Sales volume rose 36% y-o-y to 181K vs. 133K in 2023. Median square foot price rose 11.6% y-o-y to AED1,526 (vs. AED1,365 in 2023).

Number of mortgage transactions grew 24% y-o-y to 42K units with a total value of AED187B.

Top performing areas by sales volume were JVC, Business Bay, Wadi Al Safa 5, Dubai Marina, & Dubai South.

AED1-2M ticket size was the most popular, recording ~58K transactions (rising 32%y-o-y). In 2023, the most popular ticket size was <AED1M with 45K transactions.

Fig.4: Top Performing Areas in Dubai, by sales volume

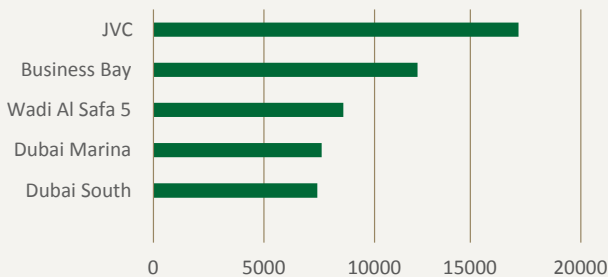
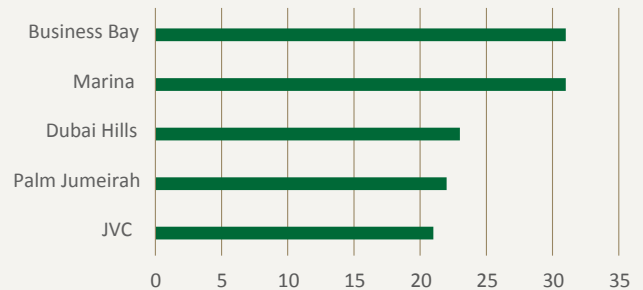


Fig.5: Top Performing Areas in Dubai, by sales value (AED billion)



Source: DXB Interact





V. Saudi Arabia Budget 2025

Saudi Arabia published its 2025 budget statement, highlighting its commitment to transparency and fiscal disclosure.

Here are key takeaways:

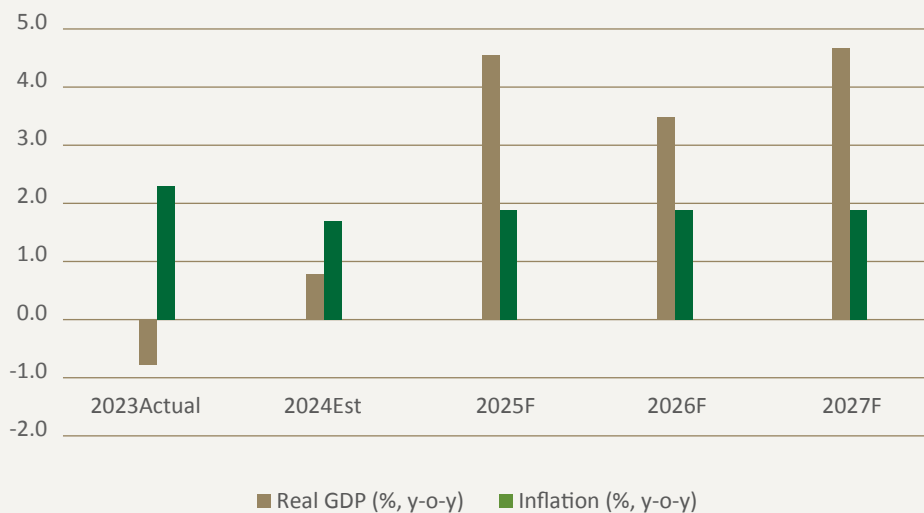
GDP is projected to grow by 0.8% y-o-y in 2024 and 4.6% y-o-y in 2025. These projections remain unchanged compared to the pre-budget statement released earlier in September. Non-oil private sector will likely drive growth underscoring the effectiveness of diversification measures under Vision 2030.

The fiscal deficit is projected to narrow down to 2.3% of GDP in 2025 versus the projected 2.8% of GDP in 2024. The budget deficit is expected to be funded through domestic and external borrowing helping the government to continue with an expansionary fiscal policy to support diversification objectives.

Expenditure for 2025 budget of SAR 1,285B is the same as what was forecasted in the pre-budget statement. Revenue remains the same as the pre-budget 2025 forecast (SAR 1,184B) as well.

Debt (% of GDP) is forecasted at 29.3% in 2024 & 29.9% in 2025, preserving the Kingdom's fiscal position and placing it well to deal with any external shocks.

Fig.6: KSA budget projections for GDP & inflation



Source: Budget documents, Ministry of Finance





بنك دبي الإسلامي
Dubai Islamic Bank



Visit: dib.ae