



بنك دبي الإسلامي
Dubai Islamic Bank

ECONOMIC BITES

Monthly Updates
from DIB
February 2025



Macroeconomic Update – UAE & KSA | February 2025



“In February, non-oil economy continued to grow from strength to strength in both the UAE and KSA. Dubai Airport traffic & tourism data all point to a stronger Q4 2024 with record high airport traffic and tourist arrivals. This momentum has likely continued in 2025 as suggested by strong PMI reading in January 2025. Meanwhile in the KSA, non-oil economic activity rose to multi-year high on strong domestic and international demand. Globally, the US CPI inflation reading was higher than market expectation in January 2025 leading to street expectations that there will fewer rates cut by the Federal Reserve than previously anticipated. 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: Non-Oil economic activity in Focus

UAE PMI: Non-oil private sector PMI stood at 55 in January vs. the nine month high of 55.4 in December 2024. Broad trends such as robust activity and expansion in new orders (mainly domestic orders) remained unchanged. Inflationary pressures also eased and input costs pressures slowed to a 13 months low. Key insights are:

Overall, the UAE economy is on a strong footing with new domestic orders bolstering economic activity. However pricing power remains muted due to tough competition between firms.

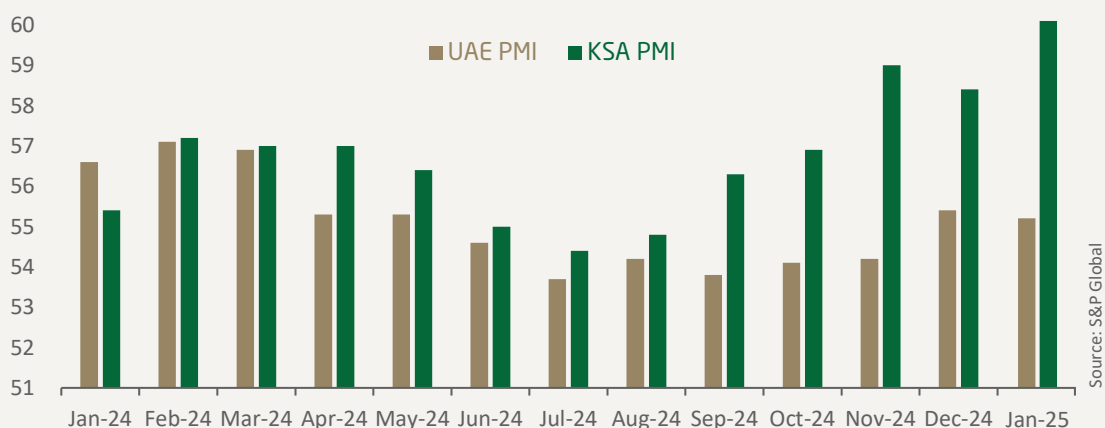
Businesses reported a slight increase in hiring (strongest since August 2024). Labour market in the UAE will pick up significantly only with consistently high new orders, timely payments and contained input price pressures. We will be closely watching those to identify any new trends.

KSA PMI: Saudi Arabia's non-oil private sector PMI accelerated to 60.5 in January (highest since September 2014) vs. 58.4 in December 2024. This acceleration was broad based - four out of five sub components of the PMI showed robust expansion. New orders - both domestic and international - continued to expand. In response, output grew at a multi-year high with firms investing into hiring to meet consistently higher demand for their products. Key Insights are:

Economic activity in the KSA continues to be driven by private consumption as well as government investment into key infrastructure projects.

Inflation management will likely be the only challenge for policy makers in the Kingdom. On a positive note, a stronger US Dollar will likely help contain import inflation.

Fig.1: UAE & KSA non-oil private PMI remains robust in January 2025





II. Dubai: GDP grows 3.1%y-o-y through 9M 2024

Dubai's economy experienced **broad-based** GDP growth of 3.1% y-o-y during the first three quarters of 2024, (AED339.4 billion). This positive performance was primarily driven by the strong growth of several key sectors, underscoring the emirate's economic diversification efforts. Among the leading contributors to this growth,

the wholesale and retail trade sector grew 2.9% y-o-y (AED83.12 billion)

transport and storage sector saw a significant rise of 5.3% y-o-y (AED42.135 billion)

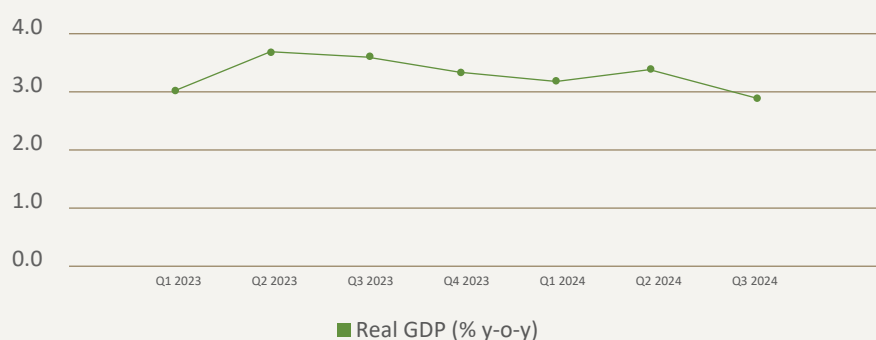
financial and insurance activities sector grew by 4.5%, (AED39.439 billion)

Furthermore, information and communications sector saw a 4.1% y-o-y expansion, and accommodation and food services grew by 3.7%y-o-y. The manufacturing sector saw a modest increase of 2.3%y-o-y.

Looking ahead, strong 4Q data on PMI, real estate, tourist arrivals and airport traffic all suggest robust economic activity in the final quarter of 2024. Aligned with the objectives of the D33 agenda, Dubai continues to focus on innovation, and the adoption of advanced technologies with an objective to double the size of the economy by 2033.

Additionally, the population growth witnessed over the past couple of years will likely continue in 2025 as well generating higher domestic demand. A loose monetary stance vis. a vis 2024 will be supportive of economic growth in 2025.

Fig.2: Dubai GDP rises 3.1% y-o-y through 9M 2024



Source: Dubai Statistics Center,
Government of Dubai Media Office





III. Airport traffic: Record breaking growth buoyed by infrastructure investment

Dubai International Airport: recorded its best year with passenger traffic at 92.3million in 2024, surpassing its previous high of 89.1 million in 2018. Key highlights included:

Cargo handled: 2.2 million tons, a 20.5% increase from 2023

Flight Movements: 440,300, a 5.7% increase year-on-year

Baggage Handling: 81.2 million bags processed, with a 99.45% success rate. This implies that there were only 5.5 mishandled bags per 1000 guests, versus the international average of 6.9 bags per 1000 guests.

Looking ahead, the expansion of Dubai World Central (DWC) will help accommodate 100 million passengers annually by 2027. This is also in alignment with the D33 strategy that aims to make Dubai rank among the top 3 cities globally by 2033.

Abu Dhabi Airports: passenger traffic rose by 28.1% y-o-y to 29.4 million in 2024 vs. 22.9 million in 2023. This growth was primarily led by Zayed International Airport (AUH) as it added eight new airlines to its network.

Cargo handled: 678,990 tons of cargo, a 21% increase from 2023

Flight Movements: rose 10% y-o-y, from 226,362 in 2023 to 249,747 in 2024

Key Infrastructure Investments included opening a new US Customs and Border Protection facility, the first of its kind in the Middle East and Asia and also introduced biometric touchpoints, including self-service baggage drops and e-gates for faster, more efficient passenger processing.

Further to the infrastructure investments, Abu Dhabi Airports Free Zone (ADAFZ) is being expanded with a new AED85 million warehousing facility being developed in Al Falah District. Additional investment of AED320 million for the construction warehouses has been planned with the objective of supporting trade in Abu Dhabi.

Fig.3: DXB records highest passenger traffic at 92.3million in 2024

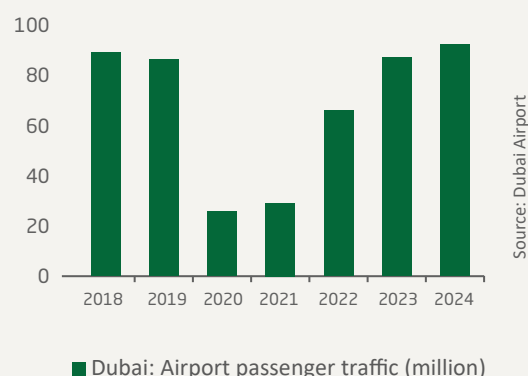
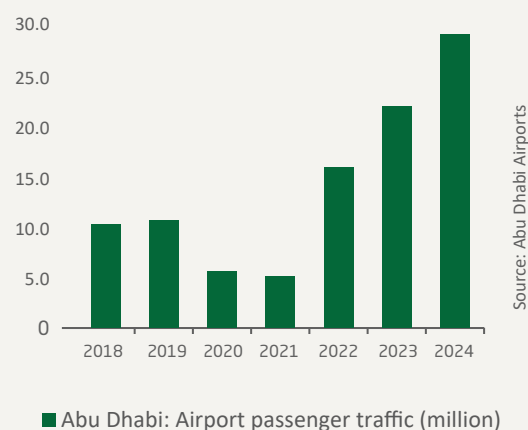


Fig.4: Abu Dhabi passenger traffic accelerated by 28% in 2024





IV. Dubai tourism: International tourist arrivals clock >9% growth in 2024

Maintaining strong momentum, Dubai's international tourist arrivals rose 9.2% y-o-y to 18.72 million in 2024, versus 17.15 million in 2023.

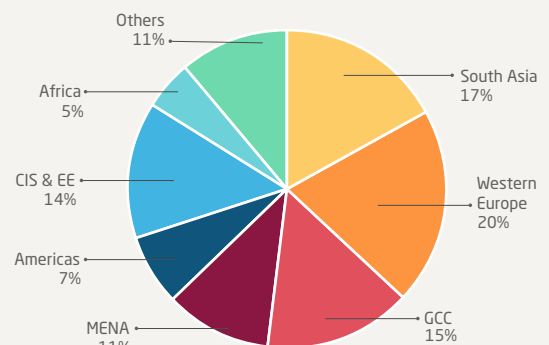
This follows a 19.4% y-o-y growth in the previous year. Regionally, the largest source of tourist was Western Europe (20%) followed by South Asia (17%), the GCC (15%), Russia, CIS, and Eastern Europe (14%), with the rest of MENA (11%).

4Q 2024 Dubai GDP will likely get a boost from stronger than expected airport passenger traffic data and international tourist arrivals in the last quarter.

Hotel occupancy rose to 78.2% in 2024 up from 77.4% in 2023. In a departure from trend observed in other non-oil businesses, hotels had some pricing power as Revenue Per Available Room (Rev PAR) rose 2% y-o-y.

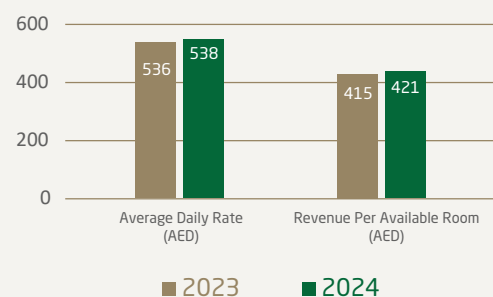
This was in contrast to the non oil PMI reports that have been suggesting that firms are offering their output on discount due to stiff competition.

Dubai: Visitor Performance by source market



Source: Dubai Department of Economy & Tourism

Dubai: Hotel Revenues



Source: Dubai Department of Economy & Tourism

MONTHLY UPDATES FEB 2025





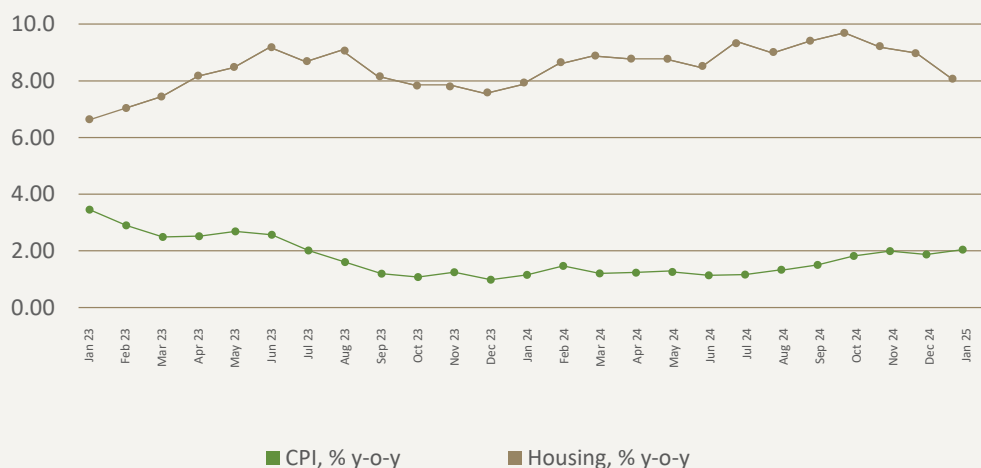
V. KSA: January CPI inflation rises to 2% vs. 1.9% in December 2024

In Saudi Arabia, CPI inflation saw a mild uptick to 2% y-o-y in January 2025 vs. 1.9% in December 2024. This rise was driven by increases in the prices of housing (8% y-o-y) and personal goods & services (3.3% y-o-y), which outweighed the fall in prices of transportation (-1.9% y-o-y) in January.

Solid PMI report in January 2025 points to a continuation in growth momentum in economic activity even with higher input price inflation. Looking ahead, we expect businesses to pass over higher input prices to consumers due to upbeat business confidence fueled by sustained higher domestic and export orders.

According to the Budget documents released earlier, GDP is expected to accelerate to 4.6% y-o-y in 2025 (1.7% in 2024) and inflation will average 1.9% in 2025.

Fig.5: KSA: January CPI rises marginally to 2% y-o-y



Source: General Authority for Statistics, KSA





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