

Amid rising global policy uncertainty, UAE clocks in record US Treasuries holdings, strong monetary stance & robust FDI in Dubai

Weekly Insights 21 Mar 2025

- *Global Policy Uncertainty Surged Near to the Pandemic high in Jan*
- *UAE's holdings of US Treasuries expanded to a record-high USD 92.6bn in Jan '25*
- *Dubai was the world's top city for attracting Greenfield FDI projects in 2024*
- *UAE deposit growth accelerated in 2024; credit growth paled in comparison*
- *Domestic credit growth in the UAE grew by an average 6.4% in 2024*
- *Consumer price inflation in Feb held steady in Saudi Arabia alongside an uptick in producer price inflation*

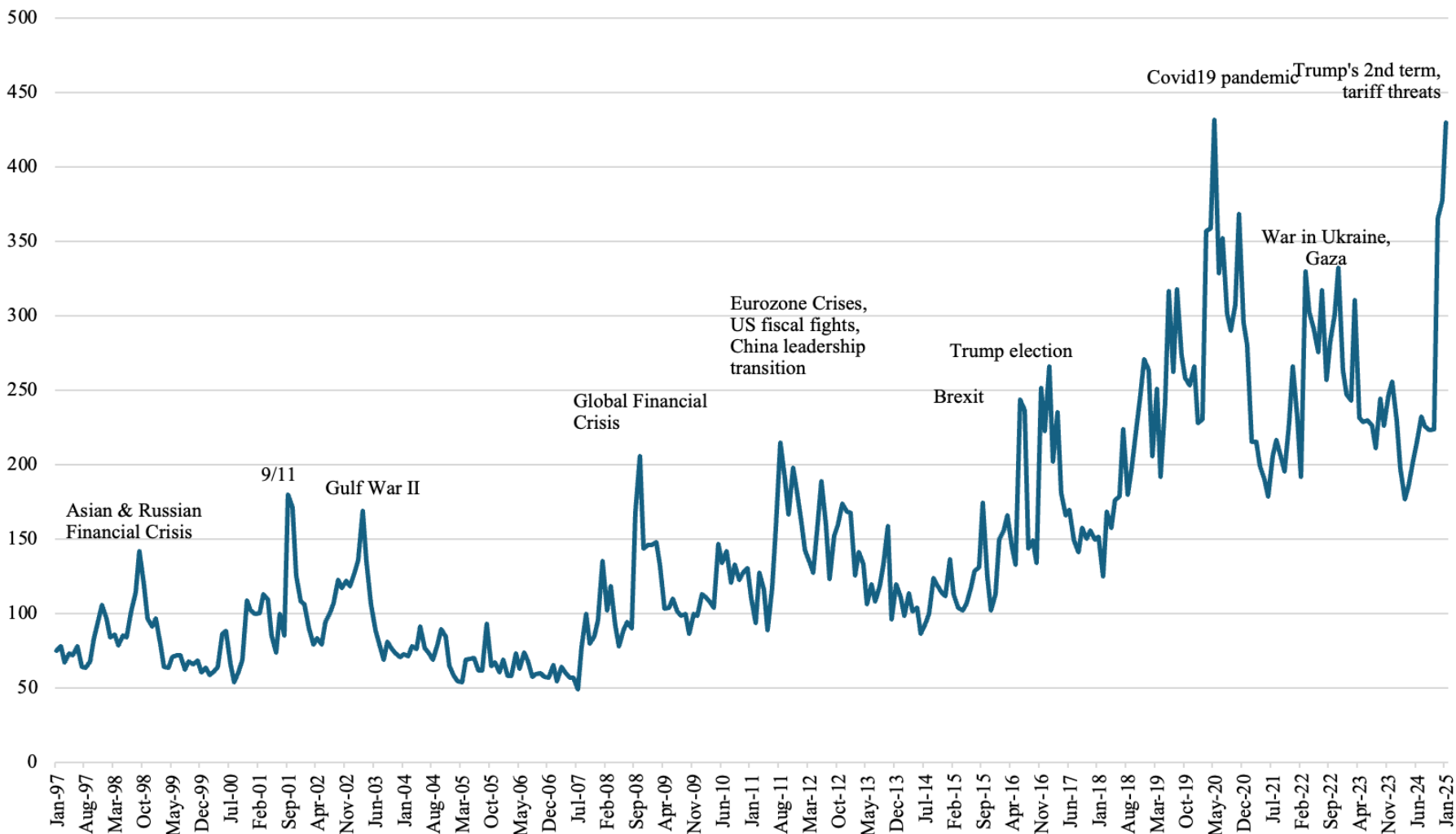
NASSER SAIDI

— & ASSOCIATES —

Global Policy Uncertainty Surged Near to the Pandemic high in Jan

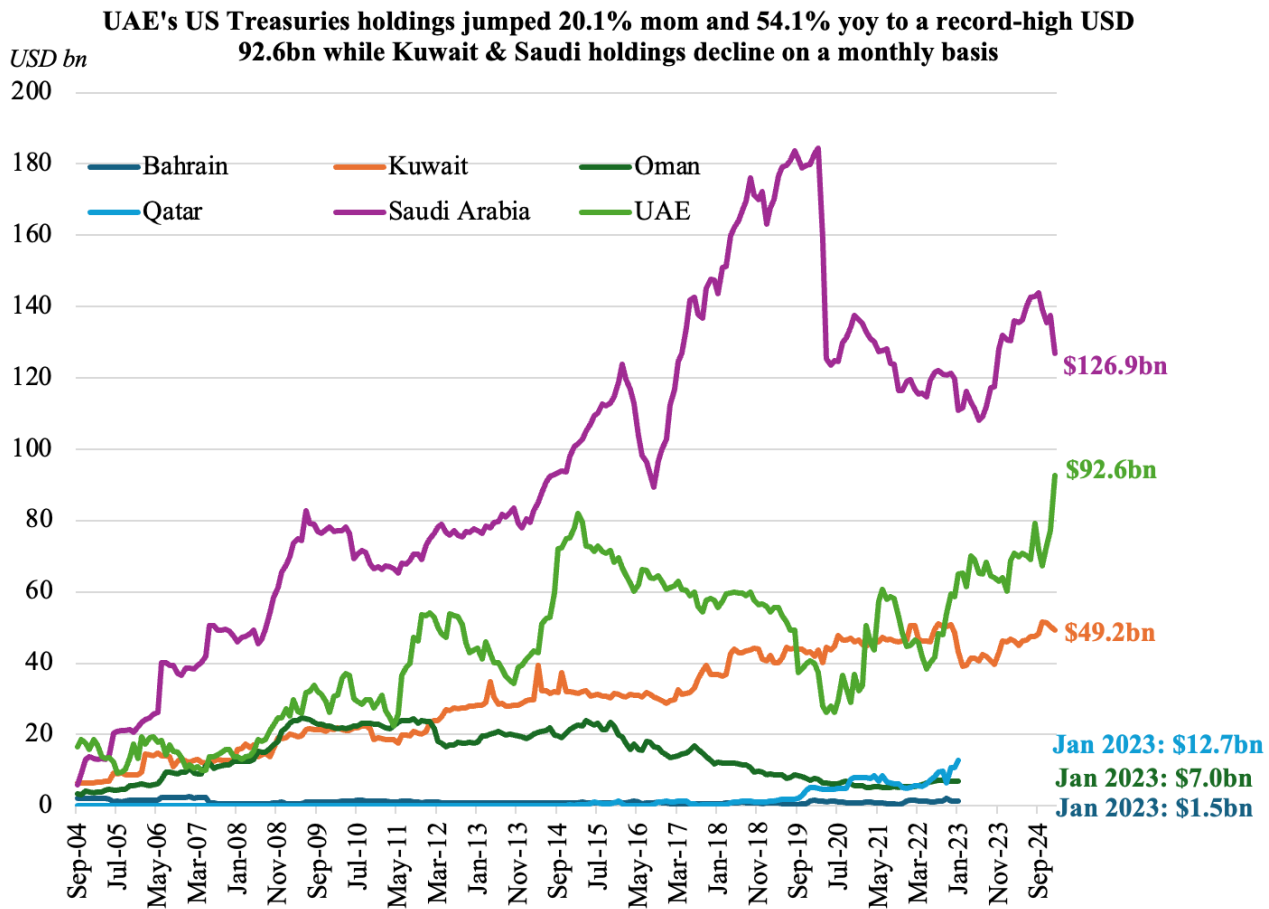
The **Economic Policy Uncertainty Index** (which is built by detecting the presence of keywords in news media) surged to 429.8 in Jan, brushing close to COVID-19 highs (431.6 in May 2020), largely stemming from the impact of US tariff threats and foreign policy decisions/ alliances. The **US-specific uncertainty index jumped to 335 in Feb** (from 225 Nov 2024 and 109 in Oct).

Global Economic Policy Uncertainty Index, Jan 1997 to Jan 2025



Source: Economic Policy Uncertainty Index <https://www.policyuncertainty.com/index.html>

UAE's holdings of US Treasuries expanded to a record-high USD 92.6bn in Jan '25

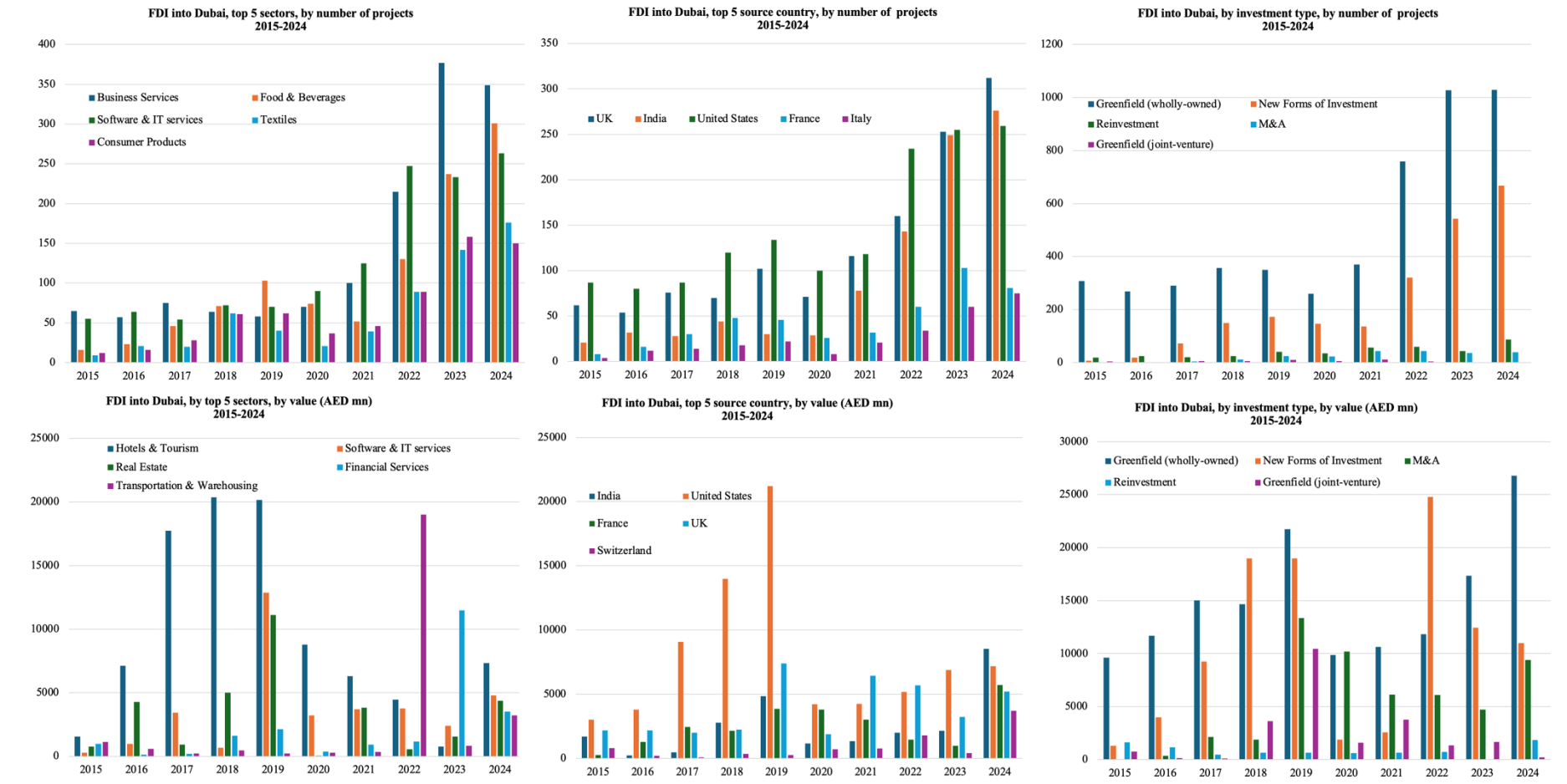


Source: US Treasury, LSEG Workspace. Chart by Nasser Saidi & Associates.

- **Foreign holdings of Treasuries held relatively steady** at USD 8.526trn in Jan, up by 7.2% yoy.
- **In contrast to end-2024, both Japan and China raised US Treasuries holdings in Jan.** Japan - the largest foreign holder of US government debt – raised holdings to USD 1.079trn in Jan.
- China raised US Treasuries holdings to USD 760.8bn (Dec: USD 759bn, lowest level since 2009), but is a far cry from its record high USD 1.315trn (in Jul 2011).
- Amid rising global geopolitical risks, **central banks continued to increase exposure to gold: China added five tonnes net purchases in Jan & its gold holdings rose to 6% of total reserves.**
- From the GCC, **UAE not only posted a monthly increase of its US Treasury holdings (+20.1% mom), but also saw its holdings rise to a record high USD 92.6bn in Jan (+54.1%).**
- **Saudi Arabia is the 16th largest investor globally**, with its holdings down by 7.7% mom and 3% yoy to USD 126.9bn.
- **Kuwait posted an annual gain** of 7.1% (to USD 49.2bn) though in monthly terms, it was down by 2.2%.

Dubai was the world's top city for attracting Greenfield FDI projects in 2024; investment flows are broad-based

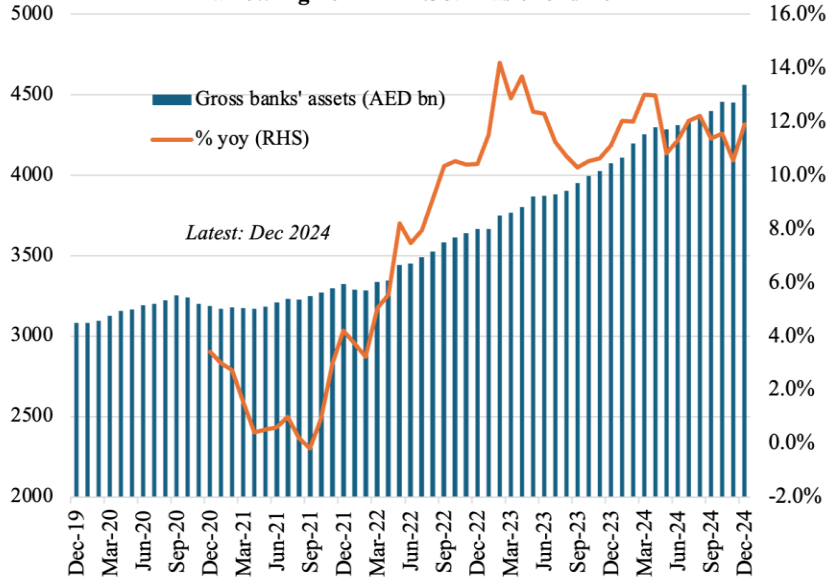
Main points include: (a) this is the **highest number of total announced projects recorded since 2015** & greenfield projects account for close to 55% of total (value & number); (b) **by number of announced projects, business services was top sector** into which FDI flowed for the second year in a row in 2024; (c) **by value, hotels & tourism projects saw an almost 10-times surge** in FDI to USD 7bn+ in 2024 (though lower than values seen in 2017-19); **FDI into financial services**, which had surged in 2023 (to AED 11.5bn), **slowed to AED 3.5bn** in 2024; this was still the fourth largest sector attracting funds; (d) **UK, India and US invested in close to 50% of total number of projects** in 2024; (e) by value, India, US & France topped the list, with **investments from India up almost 4-fold** vs 2023 & the top 5 nations accounted for more than 60% of total.



Source: Dubai FDI Monitor. Charts by Nasser Saidi & Associates.

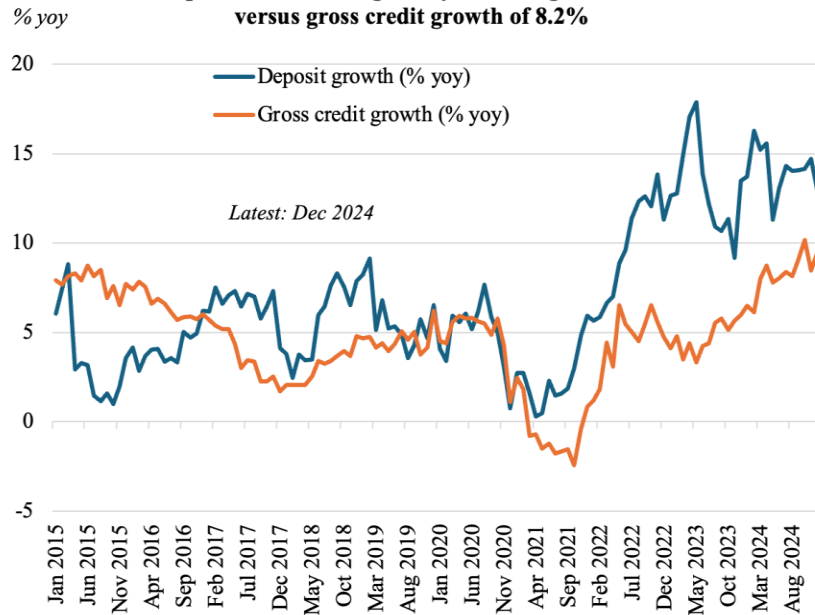
UAE deposit growth accelerated in 2024, credit growth paled in comparison

UAE banks' gross assets increased by 12% yoy and 2.4% mom to a new high of AED 4.56trn as of end-2024

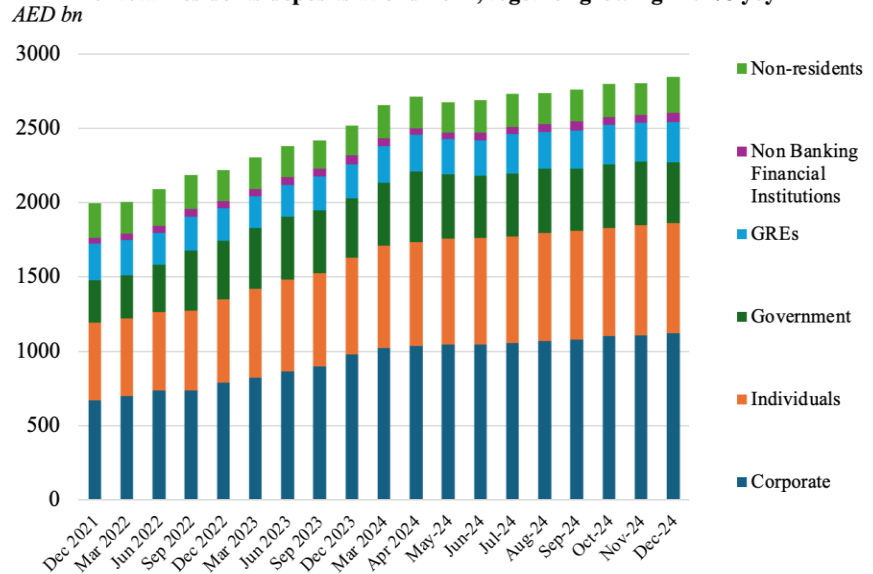


- UAE's gross bank assets grew by 2.4% mom and 12% yoy to a record **AED 4.56trn in 2024**. The central bank's total assets surged by 24.3% yoy and 4.0% mom to a new record-high AED 895.794bn in Dec.
- UAE banks' deposits grew by an average 14.1% in 2024. In Dec, deposit growth was thanks to a 12.2% yoy rise in resident deposits (to AED 2.6trn) and 20.4% surge in non-resident deposits (share of 8.5% of total deposits).
- **Private sector deposits** (at AED 1.865trn) was **65.5% of total deposits** and 71.6% of total resident deposits in Dec; grew by 0.9% mom and 14.4% yoy.
- **Government & GREs**, that together accounted for almost one-fourth of total deposits in Dec, grew by 1.7% yoy and 20.1% yoy respectively.
- **Despite** a continued acceleration in deposit growth that indicates **high levels of domestic liquidity, gross credit growth lagged**, rising only by an average 8.2% in 2024.

Bank deposits in the UAE grew by an average 14.1% in 2024 versus gross credit growth of 8.2%



Deposits from corporates & individuals in UAE accounted for 72% of total residents deposits at end-2024, together growing 14.4% yoy



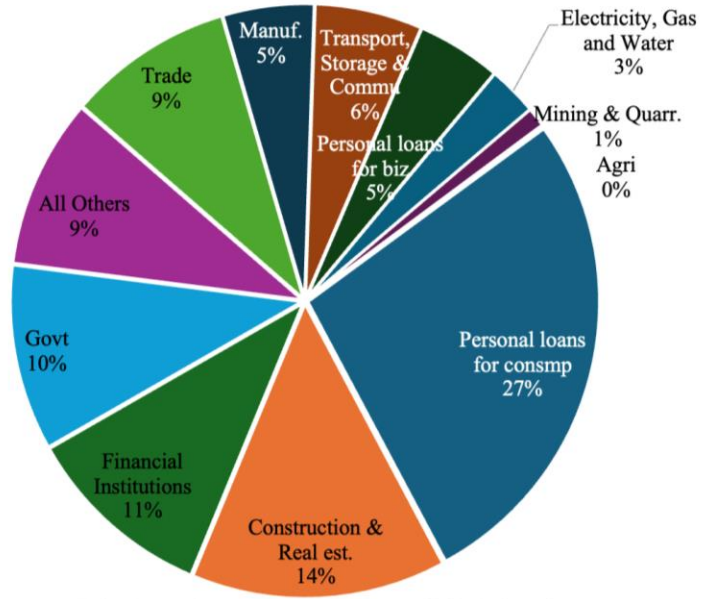
Source: UAE Central Bank. Charts by Nasser Saidi & Associates

Domestic credit growth in the UAE grew by an average 6.4% in 2024

- **Gross credit in the UAE grew by 0.8% mom and 9.5% yoy** to AED 2.18trn in Dec. This was **driven by growth in domestic credit** (6.4% yoy to AED 1.848trn in Dec, though down 0.4% mom) **and foreign credit** (8.3% mom and 31.0% yoy to AED 332.4bn). **Foreign credit** also includes loans and advances to non-residents, which grew by 29.6% yoy to AED 24.5bn.
- Within domestic credit, **the share of loans to the private sector stood at 72.8%** in Dec. **Loans to the government** increased by 5.5% yoy to AED 194.5bn in Dec while growth of **loans to GREs** was flat at AED 292.5bn.
- **Loans disbursed to business and industrial sector** (at AED 857.1bn) **accounted for almost 2/3-rds of credit to the private sector**. Credit disbursed to the private business and industrial sector grew by an average 4.8% in 2024 while in contrast, private sector retail credit grew at a much faster pace of 13.5%. **Lending to the SMEs has fallen significantly** (AED 83.0bn at end-2024 vs a high of AED 94.6bn in Q2 2021).

• **Personal loans for consumption** accounted for **more than 1/4th of disbursed loans in Dec**, followed by construction & real estate (14%), financial institutions (11%), government (10%) and others (9%, including credit to service sector & non-profits).

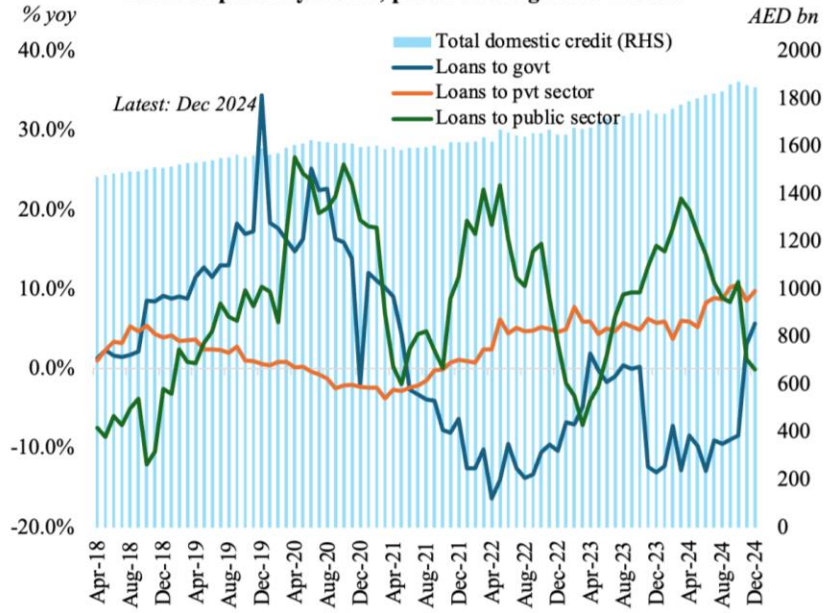
Share of loans by economic activity in UAE, Dec 2024



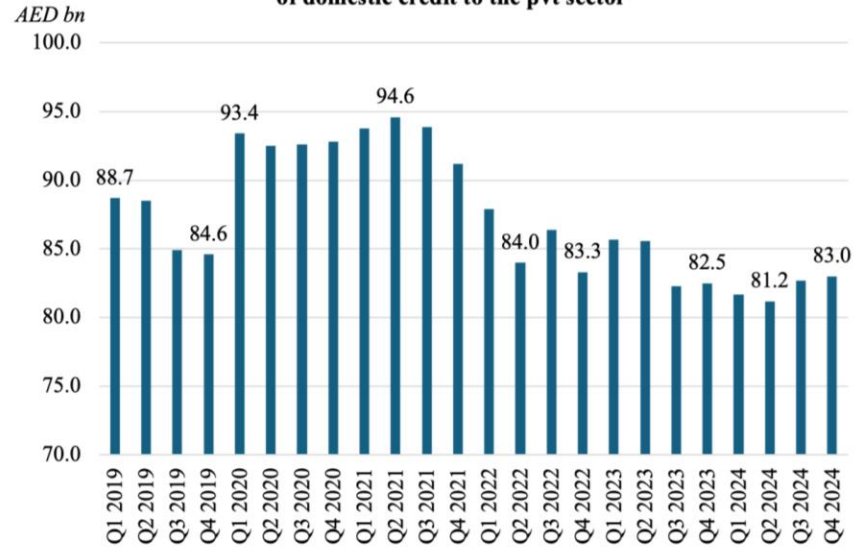
Source: UAE Central Bank. Charts by Nasser Saidi & Associates

Note: All others in economic activity include Credit to the Service Sector and Non-Profit Institutions

Domestic credit disbursed by UAE banks' grew by an average 6.1% in 2024. Loans to private & gov't sectors grew by 8.5% & 5.5% respectively in Dec; public sector growth was flat



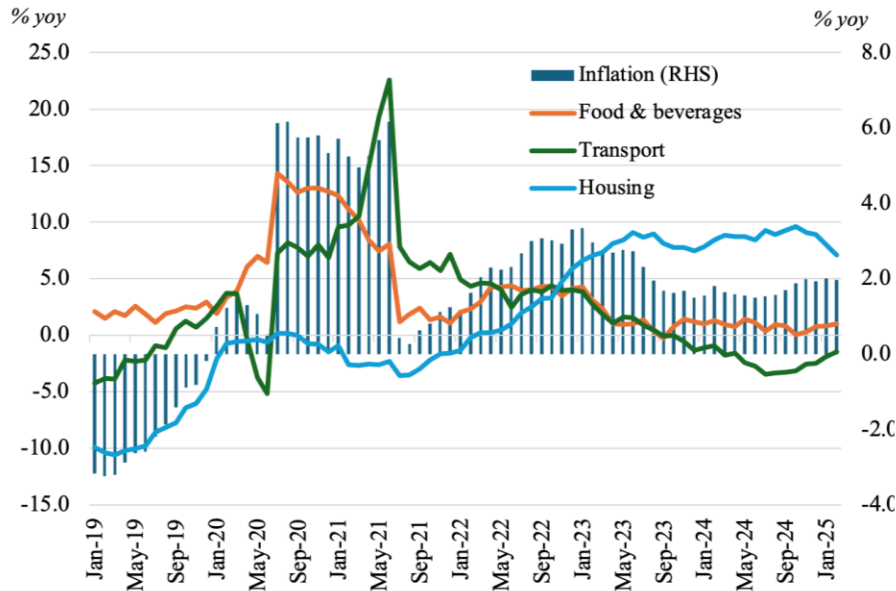
SME lending in the UAE has declined significantly from post-Covid peaks to AED 83.0bn as of Q4 2024 (AED bn): equivalent to 6.2% of domestic credit to the pvt sector



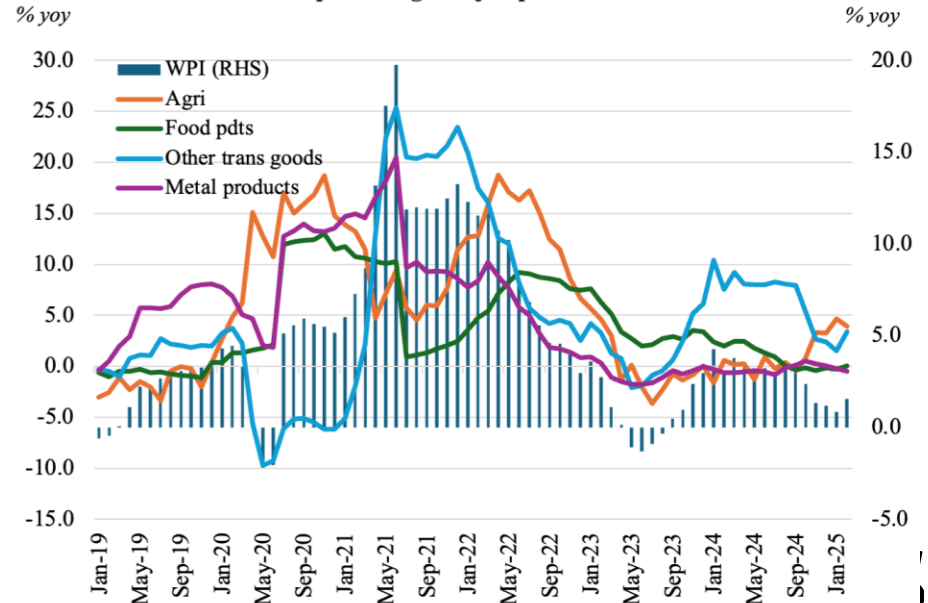
Consumer price inflation in Feb held steady in Saudi Arabia alongside an uptick in producer price inflation

- **Consumer price inflation in Saudi Arabia held steady at 2.0% in Feb:** housing & utilities, which account for 25.5% weighting, continued to post the largest increase though it eased to 7.1% (from 8.0% in Jan). **Rentals for housing was the biggest component** within (at 8.5%, down slightly from Jan's 9.68%) and villa rental prices jumped by 11.2% (vs 7.7% in Jan).
- Food & beverage costs inched up (+1% vs 0.8% in Jan) while prices at restaurant & hotels and education rose by 0.8% and 0.4% respectively. **Miscellaneous goods and services prices accelerated:** it rose by 3.9% (vs 3.3% in Jan).
- **Wholesale prices in Saudi Arabia rose to 1.54% in Feb (Jan: 0.86%),** as the prices of other transportable goods accelerated (3.39% vs 1.52%) and prices of food products was up 0.07% (from five consecutive months of deflationary readings). **Prices fell for ores & minerals** (-1.9% from -2.2%) and further for metal products & machinery (-0.49% from -0.24%). Prices of agriculture & fishery products was up by 3.91% in Feb (Jan: 4.63%).
- PoS data from the Saudi Central Bank show an increase in transactions in the week ended Mar 15th, with **spending on food & beverages accounting for 14.1% of total transactions.** Spending is likely to tick up further ahead of Eid and school holidays.

Inflation in Saudi Arabia stayed unchanged at 2.0% in Feb 2025, with housing & utilities remaining high (7.1% from 8.0% in Jan) alongside an uptick in food & beverages costs (+1.0% yoy)



Wholesale prices in Saudi Arabia edged up to 1.54% in Feb 2025 (Jan: 0.86%), with two of five principal groups staying deflationary. Costs of other transportable goods jumped to 3.4% from Jan's 1.5%



Prepared by:

Dr. Nasser Saidi
Founder & President
nsaidi@nassersaidi.com

Aathira Prasad
Director, Macroeconomics
aathira@nassersaidi.com