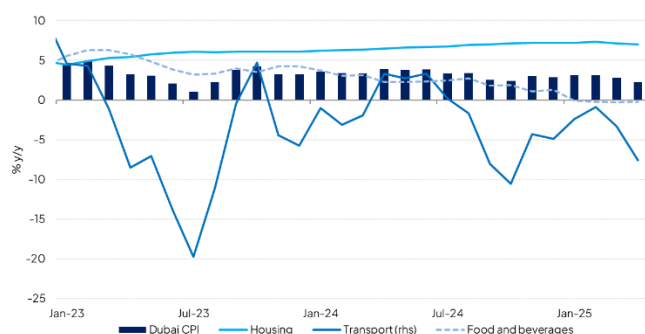


Dubai CPI Inflation, April 2025

May 20 2025 – Economics

Headline CPI inflation in Dubai slowed to 2.3% y/y in April, down from 2.8% in March. This marked the slowest pace of annual price growth since mid-2023 with a meaningfully lower petrol price offsetting still elevated upwards pressure on housing. On a monthly basis, prices were 0.3% higher, following the 0.1% m/m fall recorded in March. Annual inflation thus far this year has averaged 2.8%, in line with our previous forecast, but with oil prices set to remain under pressure through the rest of the year and most other components of the basket still seeing only weak price growth we have revised down our projection to an average of 2.5% this year, compared with 3.3% in 2024.

Transport offsetting housing price rises



Source: Bloomberg, Emirates NBD Research.

The headline inflation rate would be far lower were it not for continued upward pressure from housing costs, which at around 40% of the basket are both the largest component and the one seeing the fastest price growth. Housing inflation did moderate to a seven-month low in April but it remained at 7.0% y/y, down only moderately from the 7.2% seen in March and still an elevated pace, while the m/m pace was unchanged at 0.4%. Rent rises have been moderating, with the general average up just 9.8% y/y in April, the slowest pace since December 2021, suggesting that some of this pressure from housing on headline CPI could ease.

Aside from housing, the other two components of the basket that have been seeing a higher pace of inflation have been education (8.2% of the basket) and healthcare (0.9% of the basket). Prices for these were up 2.5% y/y and 3.0% y/y respectively

in April, though both of these were down from the March pace of 2.8% and 3.1%. Earlier this month it was announced that the KHDA had set the education cost index for private schools at 2.4% for the 2025/25 academic year, compared with 2.6% for 2024/25, which should mean a slightly slower pace of education inflation through the coming year.

Most other components of the basket have seen either weak inflation or else been outright deflationary. Food & beverage prices were 0.2% lower than a year earlier. Restaurants & accommodation prices were up 0.6% y/y, up from 0.3% in March but in line the average of the past 12 months. Clothing & footwear prices were down 2.8% y/y with many firms still discounting as they look to maintain their competitive edge. Household furnishings was up 0.5% y/y, compared with 0.4% in March.

The major variable in the monthly inflation print remains the transport component of the basket, where erratic global oil prices feed through to prices at the pump and the CPI index. At around 9% of the basket it is one of the bigger components and with oil prices set to remain subdued this year – we now forecast an average of USD 68/b this year, down from USD 80/b in 2024 – it will continue to exert a downwards drag on the headline reading. In April, transport prices were down 7.6% y/y (from a 3.3% fall in March), reflecting the fact that a litre of Super 98 in April 2025 cost 18.4% less than a year earlier. In May, a litre of Super 98 costs AED 2.58/l, one dirham higher than in April but still 22.8% lower than the AED 3.34/l it cost in May last year, meaning that transport will continue to keep headline inflation moderate.

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