

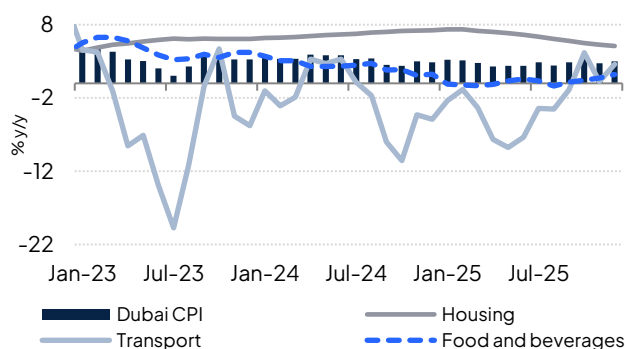
Dubai: Higher petrol prices push CPI inflation higher in December

19 January 2026 – Economics

- Dubai CPI rose to 3.0% y/y in December, driven mainly by higher transport and food prices.
- Housing inflation slowed to a 33-month low, reinforcing expectations that it will moderate headline inflation in 2026.
- The inflation gap between Dubai and the UAE is narrowing as Dubai's housing inflation cools and Abu Dhabi's accelerates.

CPI inflation in Dubai accelerated to 3.0% y/y in December, up from 2.7% the previous month. This put annual y/y inflation at an average of 2.8%, modestly higher than our predicted 2.6%, but still the slowest pace of annual average inflation since 2021. We forecast a slowdown to 2.5% this year, anticipating slower housing inflation and transport inflation that will be deflationary on average.

Transport the key variable



Source: Haver Analytics, Bloomberg, Emirates NBD Research

We had anticipated that transport inflation would be a driver of faster headline inflation in December, and it accelerated to 2.6% y/y, up from 0.2% in November. Transport accounts for around 9% of the CPI basket in Dubai and as it tracks prices at the pump – which are themselves susceptible to volatility in global oil prices – it has long been the major variable in Dubai inflation from one month to the next. A litre of super 98 cost AED 2.70/l in December, up 3.4% from AED 2.61/l in December 2024, and this was reflected in the inflation data. Looking ahead, a litre of super 98 costs AED 2.53/l in January 2026, down 3.1% y/y, and so transport will likely become a drag on the headline measure once more. Indeed, given our expectation that global oil prices will track lower on average in 2026 – we forecast that Brent futures will average USD 60/b, down from USD 68/b in 2025 – then transport should

be predominantly deflationary this year, though it will likely continue to oscillate from month to month.

The largest component of Dubai's CPI basket is housing & utilities, which makes up just over two fifths of the total. In December, housing inflation slowed to 5.1% y/y, a 33-month low for the measure, and we expect that it will continue to exert a moderating influence on headline inflation in Dubai this year. Faster growth in food & beverages prices will have contributed to the higher pace of inflation in December, as food ticked up to 1.2% y/y, from 0.7% previously. Elsewhere, most notable components of the CPI basket continued to see moderate inflationary pressures and were little changed on the previous month's reading. Notably, there was a marked slowdown in recreation & culture inflation to 1.8%, from 4.0% previously, but this accounts for less than 2.4% of the basket.

Slower housing inflation prompts narrower spread with UAE CPI

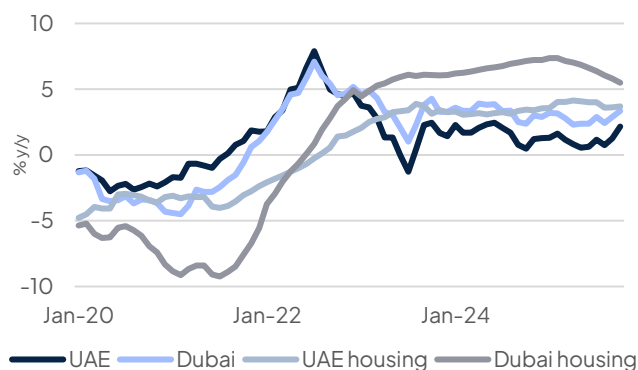
Dubai's CPI inflation rate has outpaced that of the broader UAE over the past two years, with an average spread of 1.6ppts since January 2023. The key driver of that has been more rapid housing & utilities inflation in Dubai than was seen in the rest of the country. At its peak, housing inflation in Dubai averaged 7.3% y/y in Q1 last year, far outpacing the 3.9% for UAE inflation as a whole (which includes Dubai). Housing inflation in Abu Dhabi was a contractionary -0.4% in the same quarter.

In recent months, however, the spread between Dubai inflation and UAE inflation has begun to narrow, falling to just 1.2ppts in October (last available UAE data). The likely driver of this is the previously mentioned marked slowdown in Dubai's housing inflation, coupled with faster housing price growth in Abu Dhabi: despite the slowdown in Dubai housing inflation, the UAE measure has remained fairly static in recent months, reflecting increasingly



rapid housing inflation in Abu Dhabi. Only Q2 inflation data for Abu Dhabi is available at present, but housing inflation had already accelerated to 2.6% y/y that quarter (though headline inflation remained deflationary at -0.1%).

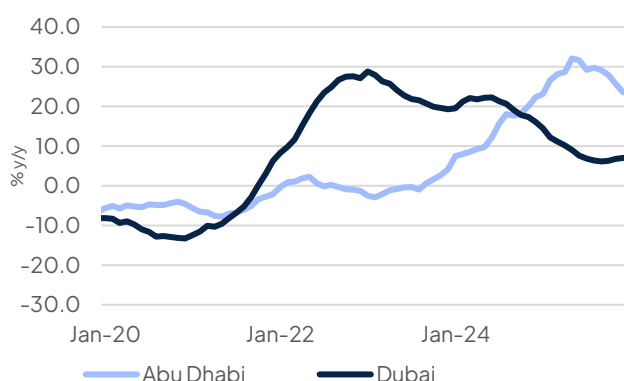
CPI inflation, % y/y



Source: Haver Analytics, Bloomberg, Emirates NBD Research

These inflationary trends reflect what we can see in real estate data, where y/y rental price growth in Abu Dhabi accelerated sharply after turning positive in late 2023. Dubai's rental price growth accelerated several years earlier, and was markedly slower in 2025 than in the previous two years. Average apartment rents in Abu Dhabi averaged growth of 27.9% in 2025, compared to 8.7% in Dubai. Looking at the last several months of the year, rental price growth in Abu Dhabi has been slowing once more but at 23.6% in December it remains elevated compared to pre-2025.

Average apartment rents, % y/y



Source: Haver Analytics, Bloomberg, Emirates NBD Research



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