

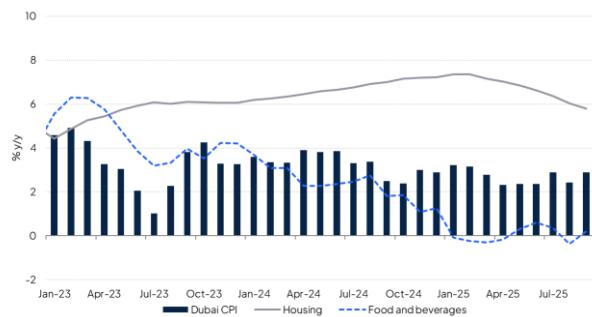
Dubai: CPI inflation at 2.9% y/y in September

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- CPI inflation in Dubai accelerated to 2.9% y/y in September
- Transport prices saw a smaller decline of 0.9% y/y in September, with petrol prices down only 6.9% y/y compared to 11.8% in August
- Housing prices, the largest component of the CPI basket, softened to 5.8% y/y in September.

CPI inflation in Dubai accelerated to 2.9% y/y in September, up from 2.4% previously and in line with the July print. On a monthly basis, prices were up 0.4%, the fastest pace of m/m inflation since February. Annual inflation has averaged 2.7% over the first nine months of the year, and given that transport is unlikely to exert a drag on prices in October we have made a modest upgrade to our average inflation forecast for 2025, up to 2.6% from 2.5% previously. The expectation remains though that transport prices will be negative through November and December and that softening housing price pressures will continue to moderate the headline rate. In 2026 we forecast that price growth will remain around 2.5%, with the risks weighted to the downside as housing pressures cool.

Housing driving headline inflation



Source: Haver Analytics, Bloomberg, Emirates NBD Research

The primary driver of the higher headline inflation rate in September was a smaller decline in transport prices, which were down just 0.9% y/y, compared with a 3.5% drop in August and an average rate of -4.5% over the year to date. Transport prices, which account for around 10% of the CPI basket, are driven primarily by retail petrol prices, and with a litre of super 98 costing AED 2.70 in September, this was down only 6.9% y/y, compared with the 11.8% decline seen in August. For October, petrol prices are actually higher than a year earlier, up 4.1% y/y, meaning that the transport component will likely be

positive for the first time since July 2024. This is unlikely to be maintained through November and December, however, as the steady production increases from OPEC+ has reaffirmed our expectation of softer oil prices through Q4, and our forecast average of USD 65.0/b would be significantly lower than the Q4 2024 average of USD 74.0/b.

Transport has been a drag



Source: Haver Analytics, Bloomberg, Emirates NBD Research

The largest component of the CPI basket is housing, which accounts for roughly two fifths of the total and has been largely responsible for the comparatively elevated headline inflation rate over the past several years. At an average 6.7% over January to September it has far outpaced any other component of the basket. However, in September it softened to 5.8% y/y, down from 6.0% in August and the slowest pace since May 2023. Base effects, a moderation in the market, and an uptick in supply will all likely contribute to an ongoing slowdown in housing costs, helping soften the headline rate.

As has been the case for some time, most other major components of the basket continued to see only either modest price growth or outright deflation in September. Food & beverage prices were up 0.2% y/y, following a 0.4% decline in August, while household furnishings picked up modestly to 0.7%, from 0.6% previously. Prices for restaurants & accommodation were up 0.8%, an

acceleration from 0.4% previously and the fastest pace since January. According to the S&P Global PMI survey for Dubai, firms cut their prices charged to customers in September on aggregate even as they faced a sharper uptick in their input costs.

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