

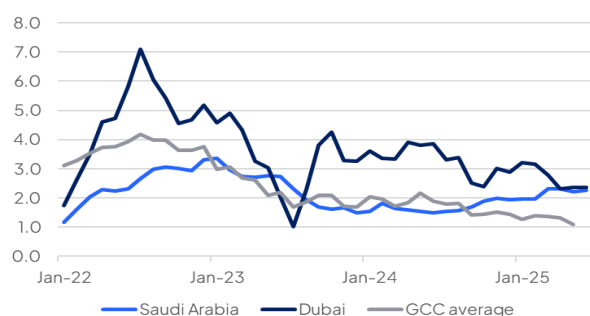
GCC: Modest inflation supportive of non-oil growth

15 July 2025 – Economics

- Inflation is modest across the GCC, though housing pressures are keeping price growth higher in Saudi Arabia and Dubai than in the rest of the bloc.
- Other key determinants of inflation include food prices and transport, both of which are moderating as shipping disruptions ease and oil prices fall.
- The softer inflationary environment will be supportive of private consumption and non-oil growth throughout the bloc this year.

Inflation in the GCC has remained modest this year, with an unweighted average of 1.3% y/y over January to May across the bloc (counting Dubai-specific inflation rather than Abu Dhabi or nationwide). This marks a slowdown compared with previous years following an unweighted average of 1.8% in 2024 and 2.2% in 2023. Inflation is running at two speeds, with price growth in Dubai, Kuwait, and Saudi Arabia running at roughly twice the pace of the average while Bahrain, Oman, and Qatar have seen either weak inflation or outright deflation. However current inflation levels are still conducive to robust private consumption throughout the bloc. We maintain a positive outlook on consumer activity and non-oil growth generally this year across the GCC, forecasting non-oil growth of 4.2%.

CPI inflation, % y/y



Source: Haver Analytics, Emirates NBD Research

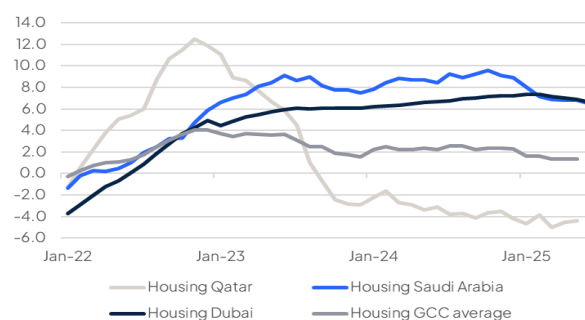
Housing inflation a key differential

In Dubai and Saudi Arabia it is housing prices that are driving the more rapid inflation rates than in the rest of the GCC. Over January to June this year (they are the only two markets for which we have the June inflation print already), housing & utilities has averaged y/y inflation of 7.1% and 7.0% respectively. In the other four countries, it is only Kuwait that has seen positive pressure on housing costs at an average 0.8% over January to May –

prices have been flat in Oman and deflationary in both Bahrain and Qatar.

In Qatar, housing costs declined by 4.5% on average over January to May, continuing a deflationary trend that began in late 2023. Excess supply following a FIFA World Cup-driven construction boom has weighed on prices generally, while demand and non-hydrocarbons growth generally has been somewhat weaker over the past several years. By contrast, despite a surge in construction activity in both Dubai and Saudi Arabia, demand has continued to outpace supply growth as both populations have seen significant expansions. For Saudi Arabia, official figures put the population at 35.3mn in the middle of 2024, y/y growth of 4.7%, while Dubai has also continued to expand rapidly, in line with government targets to hit 5.8mn inhabitants by 2040.

Housing inflation, % y/y



Source: Haver Analytics, Emirates NBD Research

There is some evidence of a nascent slowdown in housing inflation in both Dubai and Saudi Arabia, with both CPI measures down from recent peaks and some evidence of softer nominal growth in the real estate sectors. However, with two new initiatives announced over the past week – support for first-time buyers in Dubai and opening up certain districts for foreign ownership in Saudi Arabia – demand is

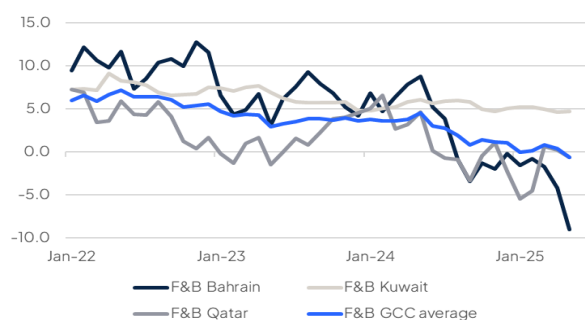
likely to remain solid. As such, both will likely continue to see a moderately faster pace of headline inflation than their peers given the large weighting of the housing component in their CPI baskets.

Upwards pressure on food prices has eased

Food is another key component of the CPI basket across the GCC, and the trend has generally been for very weak growth in prices so far this year. Over January to May, the unweighted average inflation rate for food & beverages (in Bahrain, food is measured separately from beverages) was just 0.1% y/y, compared with 2.6% last year and 3.8% in 2023.

The trend of the past 18 months differs depending on the size of the economy, with Dubai and Saudi Arabia seeing largely negative price growth, while food inflation in the other four has been more volatile. This is reflective of the smaller states' greater reliance on imported foodstuffs given more limited domestic production, and the larger logistics sectors of the UAE and Saudi Arabia. This has been especially pertinent given the effect on shipping costs caused by disruptions to transport through the Red Sea which began in November 2023. The fallout of the war in Ukraine has also been highlighted by statistics agencies.

Food & beverages inflation, % y/y



Source: Haver Analytics, Emirates NBD Research

Food inflation has turned sharply deflationary in Bahrain this year following a sharp spike in 2024, while Qatar and Oman have both also seen negative price growth in recent months. By contrast, food inflation in Kuwait remains comparatively elevated at an average 5.0% y/y over January to May.

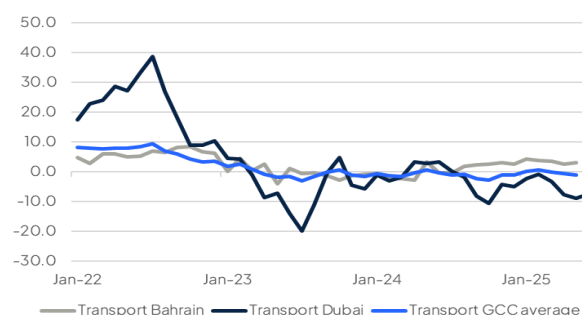
Transport

Transport has tended to be a drag on inflation in the GCC over the past several years in an environment of falling global oil prices. Over January to May it has

averaged -0.2% y/y, after an average -1.0% last year and -0.5% in 2023. This stands as a correction to the sharp rise in 2022 when oil demand spiked coming out of the Covid-19 pandemic, and transport inflation averaged 6.8% across the bloc.

The major differential in transport inflation across the GCC is Dubai, where the deregulation of petrol prices in 2015 means that the price at the pump is more directly driven by changes in global markets. With oil prices having averaged significantly lower this year (down 15.1% y/y over January to June), this has been reflected in Dubai's transport inflation component which has on average been 5.1% lower over the same period last year. Changes in transport prices in the rest of the GCC have been less pronounced, with Bahrain and Oman seeing modest rises this year and modest deflation elsewhere.

Transport inflation, % y/y



Source: Haver Analytics, Emirates NBD Research

Price pressures likely to remain soft

There are some other differences between the GCC states through the other components of the CPI baskets but the general trend has been for modest price growth across the board. While the US dollar has weakened against G-8 currencies this year its performance against other regional currencies has been stronger which has mitigated any rise in FX-driven import costs to the bloc. Expanding populations have kept some demand pressures pertinent, as noted in housing, but it has also kept a check on input costs from labour. Meanwhile, the entry of new businesses to the region has also helped keep price rises modest as respondents to regional PMI surveys have often noted that increased competition has led them to discount to maintain market share.

The outlook for H2 inflation is likely weaker with the Federal Reserve expected to resume its rate-cutting cycle, an easing in regional tensions leading to lower shipping costs and falling oil prices. We

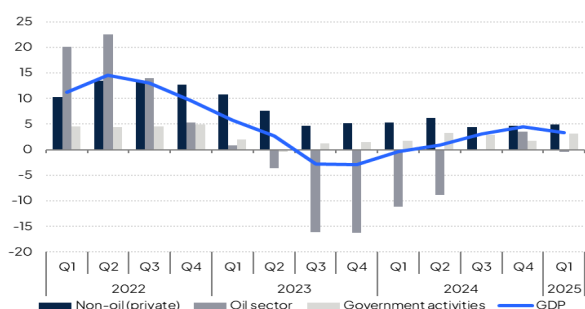


believe that the weaker inflationary pressures compared to the past several years will be supportive of private consumption growth this year and for non-oil GDP growth at large. Data for Q1 GDP for Saudi Arabia, Oman, and Qatar have all seen a fairly strong performance in non-oil activity, and timely indicators including PMI surveys would suggest that the rest of the bloc has also seen a positive performance. We forecast an average weighted non-oil GDP growth rate of 4.2% this year, compared with an estimated 4.0% in 2024.

Private consumption supporting non-oil growth

Saudi Arabia started the year on the front foot, with the PMI survey in January hitting a 14-year high, and Q1 national accounts data putting y/y GDP growth at 3.4% on the second print. Non-oil growth was especially strong at 4.9%, contributing the bulk of the headline expansion, and offering upside risk to our full-year forecast of 4.5% non-oil growth, from 4.3% in 2024. In terms of GDP by expenditure, private consumption was up 4.5% y/y in Q1, the strongest pace of growth since Q4 2023, and we anticipate that it will remain robust through the second half of the year. Spending growth in Saudi Arabia (point of sales transactions + cash withdrawal + ecommerce transactions) accelerated to 9.5% over January to May this year, compared with 8.8% over the same period in 2024. This is far outpacing the average CPI inflation rate of 2.2% over January to May, indicating strong real growth in spending.

Saudi Arabia real GDP growth, % y/y

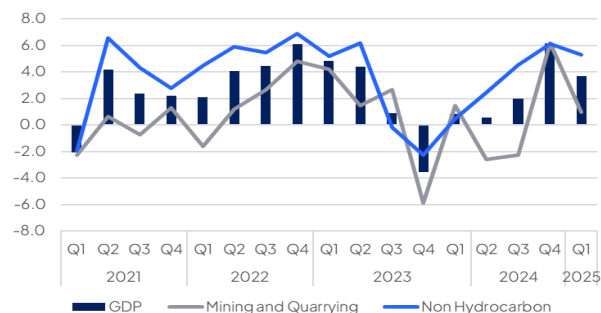


Source: Haver Analytics, Emirates NBD Research

We forecast non-oil GDP growth of 4.7% in the UAE this year which would mark a modest slowdown from the 5.0% recorded in 2024 but still represents a solid expansion rate. The outlook for private consumption growth in the UAE remains robust, driven by both domestic demand and ongoing growth in tourist numbers. There were 8.7m overnight visitors to Dubai over January to May, up 6.9% y/y. Meanwhile, the population of the UAE

continues to expand rapidly, with new census data from SCAD showing that Abu Dhabi's inhabitants grew by 7.5% in 2024 to 4.1m people. A significant number of people moving to the UAE are HNWI, evidenced by the rapid growth in family offices here and the booming luxury real estate market. Together, this is underpinning spending in the UAE, with Dubai Mall reporting more than 111m visitors last year, up from 105m in 2023.

Qatar real GDP growth, % y/y



Source: Haver Analytics, Emirates NBD Research

Our non-hydrocarbons growth forecast for Qatar this year is 3.0% which would represent a modest slowdown from the 3.4% seen last year though the Q1 growth rate of 5.3% offers some upside risk to this outlook. The broad economy is in good shape, with positive annual growth across all components of GDP in Q1, and indications are that growth has been maintained in the second quarter, with the Qatar Financial Centre PMI survey remaining above the neutral 50.0 level in April and May. A notable growth driver in Q1 was wholesale & retail trade which expanded 14.6% y/y and accounted for 8.4% of GDP.

Oman saw non-oil growth of 4.4% y/y in Q1, the strongest pace of growth since Q4 2022. While wholesale & retail trade was relatively sluggish at 2.5%, this followed 6.8% growth last year and hotels & restaurants saw growth of 11.7% in Q1. We forecast non-hydrocarbons growth of 3.5% in Oman this year. In Bahrain we forecast non-oil growth of 3.2% in 2025, and in Kuwait we project a 3.0% expansion, up from 1.7% in 2024.

Daniel Richards, Senior Economist
danielricha@emiratesnbd.com



Disclaimer

PLEASE READ THE FOLLOWING TERMS AND CONDITIONS OF ACCESS FOR THE PUBLICATION BEFORE THE USE THEREOF. By continuing to access and use the publication, you signify you accept these terms and conditions. Emirates NBD reserves the right to amend, remove, or add to the publication and Disclaimer at any time. Such modifications shall be effective immediately. Accordingly, please continue to review this Disclaimer whenever accessing, or using the publication. Your access of, and use of the publication, after modifications to the Disclaimer will constitute your acceptance of the terms and conditions of use of the publication, as modified. If, at any time, you do not wish to accept the content of this Disclaimer, you may not access, or use the publication. Any terms and conditions proposed by you which are in addition to or which conflict with this Disclaimer are expressly rejected by Emirates NBD and shall be of no force or effect. Information contained herein is believed by Emirates NBD to be accurate and true but Emirates NBD expresses no representation or warranty of such accuracy and accepts no responsibility whatsoever for any loss or damage caused by any act or omission taken as a result of the information contained in the publication. The publication is provided for informational uses only and is not intended for trading purposes. Charts, graphs and related data/information provided herein are intended to serve for illustrative purposes. The data/information contained in the publication is not designed to initiate or conclude any transaction. In addition, the data/information contained in the publication is prepared as of a particular date and time and will not reflect subsequent changes in the market or changes in any other factors relevant to their determination. The publication may include data/information taken from stock exchanges and other sources from around the world and Emirates NBD does not guarantee the sequence, accuracy, completeness, or timeliness of information contained in the publication provided thereto by or obtained from unaffiliated third parties. Moreover, the provision of certain data/information in the publication may be subject to the terms and conditions of other agreements to which Emirates NBD is a party.

None of the content in the publication constitutes a solicitation, offer or recommendation by Emirates NBD to buy or sell any security, or represents the provision by Emirates NBD of investment advice or services regarding the profitability or suitability of any security or investment. Moreover, the content of the publication should not be considered legal, tax, accounting advice. The publication is not intended for use by, or distribution to, any person or entity in any jurisdiction or country where such use or distribution would be contrary to law or regulation. Accordingly, anything to the contrary herein set forth notwithstanding, Emirates NBD, its suppliers, agents, directors, officers, employees, representatives, successors, assigns, affiliates or subsidiaries shall not, directly or indirectly, be liable, in any way, to you or any other person for any: (a) inaccuracies or errors in or omissions from the publication including, but not limited to, quotes and financial data; (b) loss or damage arising from the use of the publication, including, but not limited to any investment decision occasioned thereby. (c) UNDER NO CIRCUMSTANCES, INCLUDING BUT NOT LIMITED TO NEGLIGENCE, SHALL EMIRATES NBD, ITS SUPPLIERS, AGENTS, DIRECTORS, OFFICERS, EMPLOYEES, REPRESENTATIVES, SUCCESSORS, ASSIGNS, AFFILIATES OR SUBSIDIARIES BE LIABLE TO YOU FOR DIRECT, INDIRECT, INCIDENTAL, CONSEQUENTIAL, SPECIAL, PUNITIVE, OR EXEMPLARY DAMAGES EVEN IF EMIRATES NBD HAS BEEN ADVISED SPECIFICALLY OF THE POSSIBILITY OF SUCH DAMAGES, ARISING FROM THE USE OF THE PUBLICATION, INCLUDING BUT NOT LIMITED TO, LOSS OF REVENUE, OPPORTUNITY, OR ANTICIPATED PROFITS OR LOST BUSINESS. The information contained in the publication does not purport to contain all matters relevant to any particular investment or financial instrument and all statements as to future matters are not guaranteed to be accurate. Anyone proposing to rely on or use the information contained in the publication should independently verify and check the accuracy, completeness, reliability and suitability of the information and should obtain independent and specific advice from appropriate professionals or experts regarding information contained in the publication. Further, references to any financial instrument or investment product is not intended to imply that an actual trading market exists for such instrument or product. In publishing this document Emirates NBD is not acting in the capacity of a fiduciary or financial advisor.

Emirates NBD and its group entities (together and separately, "Emirates NBD") does and may at any time solicit or provide commercial banking, investment banking, credit, advisory or other services to the companies covered in its reports. As a result, recipients of this report should be aware that any or all of the foregoing services may at times give rise to a conflict of interest that could affect the objectivity of this report.

The securities covered by this report may not be suitable for all types of investors. The report does not take into account the investment objectives, financial situations and specific needs of recipients.

Data included in the publication may rely on models that do not reflect or take into account all potentially significant factors such as market risk, liquidity risk and credit risk. Emirates NBD may use different models, make valuation adjustments, or use different methodologies when determining prices at which Emirates NBD is willing to trade financial instruments and/or when valuing its own inventory positions for its books and records. In receiving the publication, you acknowledge and agree that there are risks associated with investment activities. Moreover, you acknowledge in receiving the publication that the responsibility to obtain and carefully read and understand the content of documents relating to any investment activity described in the publication and to seek separate, independent financial advice if required to assess whether a particular investment activity described herein is suitable, lies exclusively with you. You acknowledge and agree that past investment performance is not indicative of the future performance results of any investment and that the information contained herein is not to be used as an indication for the future performance of any investment activity. You acknowledge that the publication has been developed, compiled, prepared, revised, selected, and arranged by Emirates NBD and others (including certain other information sources) through the application of methods and standards of judgment developed and applied through the expenditure of substantial time, effort, and money and constitutes valuable intellectual property of Emirates NBD and such others. All present and future rights in and to trade secrets, patents, copyrights, trademarks, service marks, know-how, and other proprietary rights of any type under the laws of any governmental authority, domestic or foreign, shall, as between you and Emirates NBD, at all times be and remain the sole and exclusive property of Emirates NBD and/or other lawful parties. Except as specifically permitted in writing, you acknowledge and agree that you may not copy or make any use of the content of the publication or any portion thereof. Except as specifically permitted in writing, you shall not use the intellectual property rights connected with the publication, or the names of any individual participant in, or contributor to, the content of the publication, or any variations or derivatives thereof, for any purpose.

YOU AGREE TO USE THE PUBLICATION SOLELY FOR YOUR OWN NONCOMMERCIAL USE AND BENEFIT, AND NOT FOR RESALE OR OTHER TRANSFER OR DISPOSITION TO, OR USE BY OR FOR THE BENEFIT OF, ANY OTHER PERSON OR ENTITY. YOU AGREE NOT TO USE, TRANSFER, DISTRIBUTE, OR DISPOSE OF ANY DATA/INFORMATION CONTAINED IN THE PUBLICATION IN ANY MANNER THAT COULD COMPETE WITH THE BUSINESS INTERESTS OF EMIRATES NBD. YOU MAY NOT COPY, REPRODUCE, PUBLISH, DISPLAY, MODIFY, OR CREATE DERIVATIVE WORKS FROM ANY DATA/INFORMATION CONTAINED IN THE PUBLICATION. YOU MAY NOT OFFER ANY PART OF THE PUBLICATION FOR SALE OR DISTRIBUTE IT OVER ANY MEDIUM WITHOUT THE PRIOR WRITTEN CONSENT OF EMIRATES NBD. THE DATA/INFORMATION CONTAINED IN THE PUBLICATION MAY NOT BE USED TO CONSTRUCT A DATABASE OF ANY KIND. YOU MAY NOT USE THE DATA/INFORMATION IN THE PUBLICATION IN ANY WAY TO IMPROVE THE QUALITY OF ANY DATA SOLD OR CONTRIBUTED TO BY YOU TO ANY THIRD PARTY. FURTHERMORE, YOU MAY NOT USE ANY OF THE TRADEMARKS, TRADE NAMES, SERVICE MARKS, COPYRIGHTS, OR LOGOS OF EMIRATES NBD OR ITS SUBSIDIARIES IN ANY MANNER WHICH CREATES THE IMPRESSION THAT SUCH ITEMS BELONG TO OR ARE ASSOCIATED WITH YOU OR, EXCEPT AS OTHERWISE PROVIDED WITH EMIRATES NBD'S PRIOR WRITTEN CONSENT, AND YOU ACKNOWLEDGE THAT YOU HAVE NO OWNERSHIP RIGHTS IN AND TO ANY OF SUCH ITEMS. MOREOVER YOU AGREE THAT YOUR USE OF THE PUBLICATION IS AT YOUR SOLE RISK AND ACKNOWLEDGE THAT THE PUBLICATION AND ANYTHING CONTAINED HEREIN, IS PROVIDED "AS IS" AND "AS AVAILABLE," AND THAT EMIRATES NBD MAKES NO WARRANTY OF ANY KIND, EXPRESS OR IMPLIED, AS TO THE PUBLICATION, INCLUDING, BUT NOT LIMITED TO, MERCHANTABILITY, NON-INFRINGEMENT, TITLE, OR FITNESS FOR A PARTICULAR PURPOSE OR USE. You agree, at your own expense, to indemnify, defend and hold harmless Emirates NBD, its Suppliers, agents, directors, officers, employees, representatives, successors, and assigns from and against any and all claims, damages, liabilities, costs, and expenses, including reasonable attorneys' and experts' fees, arising out of or in connection with the publication, including, but not limited to: (i) your use of the data contained in the publication or someone using such data on your behalf; (ii) any deletions, additions, insertions or alterations to, or any unauthorized use of, the data contained in the publication or (iii) any misrepresentation or breach of an acknowledgement or agreement made as a result of your receiving the publication.