



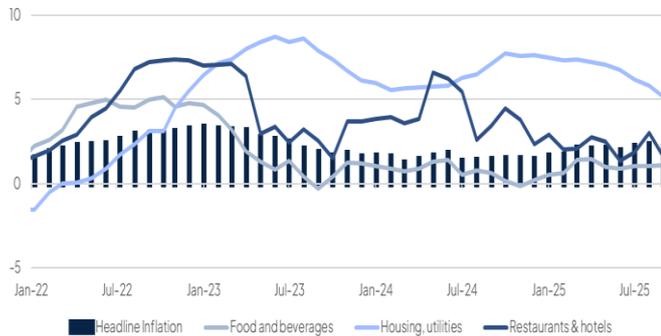
Saudi Arabia: CPI inflation picks up in December

15 January 2026 – Economics

- Headline inflation edged up to 2.1% y/y in December, averaging 2.0% in 2025, mainly on modest food price gains across the year.
- Housing inflation continued to ease, helped by the Riyadh rental freeze, supporting our softer 2026 average inflation forecast of 1.6%.
- Accelerations in inflation were broad but mild across components, with a notable rebound in restaurants & hotels and an uptick in miscellaneous goods & services inflation.

Headline CPI inflation in Saudi Arabia accelerated to 2.1% y/y in December, up from a nine-month low of 1.9% the previous month. Inflation averaged 2.0% over 2025, in line with our long-held forecast. This marked an acceleration on the 1.5% average recorded in 2024, with faster growth in food prices the primary driver of this. Looking ahead to 2026, we expect that headline price growth will soften once more as housing price pressures recede, and we forecast an average annual inflation rate of 1.6% for the year.

Modest inflation overall



Source: Haver Analytics, Emirates NBD Research

The modest uptick in headline price growth in December was driven by mostly marginal accelerations across a range of components of the CPI basket rather than by one notable move higher for any particular product group. The biggest moves were by restaurants & hotels which went from a deflationary 0.5% y/y in November to 0.9% growth last month, and miscellaneous goods and services which recorded growth of 7.1%, up from 6.6% previously. Taken together, these account for some 13% of the CPI basket.

The largest component of the basket is food & beverages, accounting for 22%, which remained at 1.3% y/y in December for the second month in a row. Food inflation averaged 1.1% last year, up from 0.7%

in 2024, making it the primary driver of faster price growth in 2025 overall, albeit still modest. Notwithstanding annual pressures stemming from the holy month of Ramadan and Eid al-Fitr celebrations, we expect that currency moves in key food providers will keep inflationary pressures from food modest in the coming months. Some of the sharpest downward moves in December were on food products imported from trade partners with depreciating currencies, with the prices of Turkish plums down 6.6% y/y and Filipino bananas down 2.6% y/y.

The second largest component of the basket, at 20%, is housing & utilities, and the slowdown in inflation here continued as price growth came in at 4.1% y/y, down from 4.3% in November. The moderation in inflation has been sharp in recent months following the introduction of a rental freeze in Riyadh, and we would expect housing inflation to maintain its downward trajectory through the start of 2026.

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