Regional Macro

September dip masks persistent Dubai price pressures

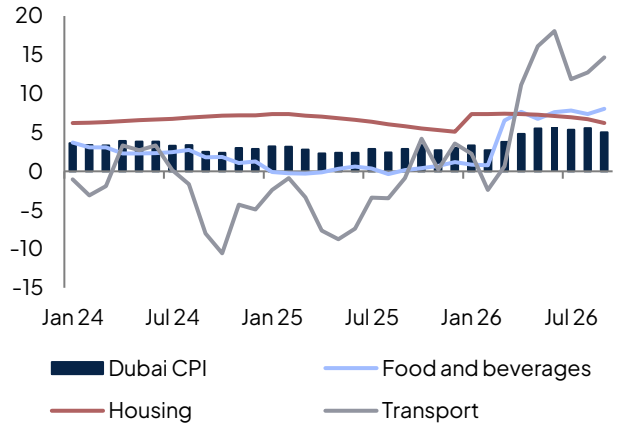
13 October 2026

- Dubai inflation is likely to rise in October after a September dip, as higher petrol prices add to already-firm transport and food cost pressures.
- Annual price gains slowed to 5.0% last month, reflecting a sharp fall in volatile recreation costs rather than a broad easing in price pressures.
- Housing remains the largest source of inflation, although slower rent increases should help contain cost increases over the coming year.
- We expect inflation to end 2026 at around 5.6% before easing through 2027 as fuel, housing and food price increases slow.

Dubai inflation cooled in September, but the decline is unlikely to mark the start of a sustained disinflation trend. Headline price growth eased largely because of a sharp fall in recreation and culture costs, while food, housing and transport inflation remained firm. Price pressures are likely to strengthen again in October as the latest rise in petrol prices feeds into transport costs.

Transport cost rise drives headline gains

Dubai CPI inflation, % y/y



Source: Haver Analytics, Data Dubai, Emirates NBD Research.

Annual consumer-price growth slowed to 5.0% in September from 5.5% in August. Prices fell 0.1% last month after rising 0.3% in August. The headline figures nevertheless mask persistent pressure in several important parts of the consumer basket. Another increase in October fuel prices should drive headline price gains higher over the final months of the year. We expect inflation to end 2026 at around 5.6%.

The slowdown in September inflation was driven mainly by recreation and culture, where prices fell 13.8% from the previous month and 8.2% from a year earlier. This marked a sharp reversal from the 6.2% annual increase recorded in August and subtracted roughly 0.5 percentage points from headline inflation.

Because the decline was concentrated in a relatively volatile category, it provides only limited evidence that underlying price pressures are easing more broadly.

Housing and utilities inflation also slowed to 6.2% from a year earlier, compared with 6.7% in August. This was its weakest pace since December. Even so, the category remains the largest contributor to headline inflation because it accounts for 40.7% of the CPI basket. Gains in the category contributed roughly 2.5 percentage points to headline September inflation.

Average rents continued to rise across most districts, according to Dubai statistics authorities. But the gradual easing in annual housing inflation suggests that the impact of earlier rent increases is beginning to fade. A faster cooling in rents would be the clearest source of lower inflation over the coming year.

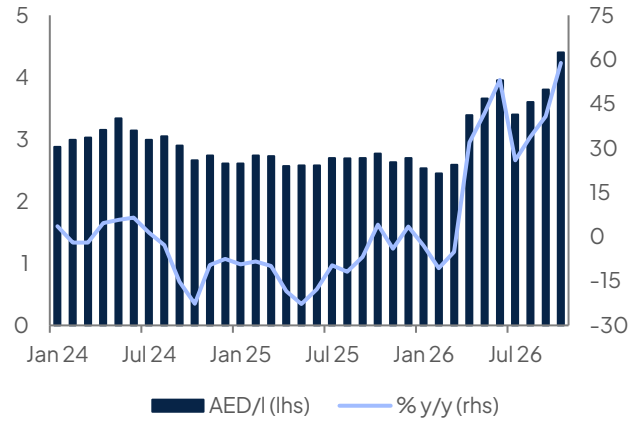
The more immediate upside risk comes from transport. Inflation in this category accelerated to 14.7% in September from 12.7% in August, the fastest increase among the main spending categories. The rise reflected higher airfares and a

37.5% increase in fuels and lubricants for personal transport.

Authorities increased petrol prices further in October, with Super 98 petrol rising to AED 4.40 per litre, up 58.8% from a year earlier. This is likely to push headline inflation higher in the near term.

More fuel-driven inflation expected

Super 98 petrol price and annual % change



Source: Bloomberg, Emirates NBD Research.

Food inflation is also picking up. Food and beverage prices rose 8.1% from a year earlier in September, up from 7.4% in August, and increased 1.1% from the previous month.

This was the strongest annual increase in food costs since July 2022 and may reflect the delayed pass-through of earlier logistics and input-cost pressures, alongside firmer domestic demand. The latest S&P Global Dubai PMI survey showed the sharpest rise in selling prices since April 2023, suggesting that businesses have become more willing to pass higher costs on to customers.

Inflation should ease through 2027 as fuel-related base effects reverse and housing and food pressures soften.

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