

Dubai: CPI inflation at 2.4% y/y in May

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- Dubai's headline CPI inflation rose to 2.4% y/y in May, from 2.3% in April

Headline CPI inflation in Dubai accelerated to 2.4% y/y in May, up from 2.3% the previous month. On the monthly measure prices were 0.2% lower, following a 0.3% rise the previous month. Annual inflation over the first five months of the year has averaged 2.8%, moderately higher than our full-year forecast of 2.5%. However, most components of the basket continue to show only moderate price growth and we anticipate that inflation should be maintained around current levels through the rest of the year, a slowdown from the 3.2% pace seen at the start of 2025.

Housing driving headline inflation



Source: Haver Analytics, WAM, Emirates NBD Research

It remains the case that the headline inflation measure would be far lower were it not for an ongoing sharp rise in housing & utilities prices, which account for around 40% of the total CPI basket. There has been a moderate slowdown in the annual inflation measure in recent prints, but it remained elevated at 6.9% in May, reflecting persistent upwards pressure on rents. Rent rises have been moderating in recent months, however, suggesting that the CPI measure might see a further slowdown, which would alleviate pressure on headline inflation.

The second largest component of the CPI basket is food & beverages (11.6% of the basket), which saw a marginal 0.3% rise in prices in May, compared with the 0.2% fall recorded in April. Relatedly, there was only modest upwards pressure in prices for restaurants & hotels (6.1% of the basket) which were up 0.5% y/y.

Transport is the third largest component of the basket at around 9.3% of the total, and it has been the largest drag on headline inflation in recent months. In May, transport prices fell 8.8% y/y, an even sharper deflationary print than the 7.6% fall in April. The category includes petrol prices and last month, a litre of Super 98 cost AED 2.58/l, one dirham higher than in April but still 22.8% lower than the AED 3.34/l it cost in May last year. Petrol prices were almost unchanged from their May levels in June, meaning they are 17.8% lower than a year previous and will remain a drag on headline inflation. The current spike in Brent crude prices on the back of Middle Eastern instability could see some of this deflationary pressure ease, but even after the spike seen since Friday, at USD 73.8/b at the time of writing, Brent futures remain 12.6% lower than a year ago.

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