

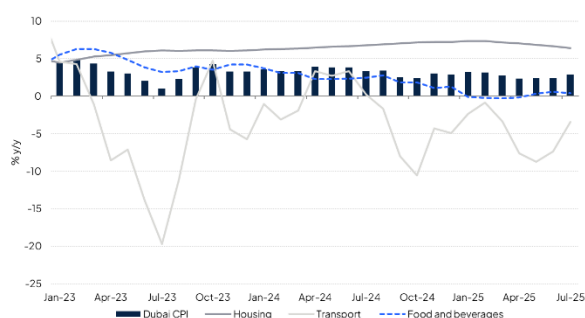
Dubai: CPI inflation accelerates in July

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- Headline CPI inflation in Dubai accelerated to 2.9% y/y in July, up from 2.4% in June, with a monthly increase of 0.4%.
- Transport prices saw slower deflation, down 3.4% y/y in July compared to a 7.4% decline in June, primarily due to variations in petrol prices.
- Housing & utilities remained the primary driver of price growth at 6.4% y/y, though the trend has been disinflationary for the past five months.

Headline CPI inflation in Dubai accelerated to 2.9% y/y in July, up from 2.4% the previous month. This was the fastest pace since February. On a monthly basis, prices were up 0.4%, a modest acceleration on the 0.3% recorded in June. Inflation has averaged 2.7% y/y over January to July, and we are maintaining our full-year average forecast of 2.5%, with the expectation that lower oil prices through the close of the year will soften the headline inflation rate through the remainder of H2.

Modest inflation overall



Source: Haver Analytics, Emirates NBD Research

The key differential between June and July that saw headline inflation pick up was a smaller decline in transport prices, which were down 3.4% y/y last month compared with the 7.4% decline in June. Transport, which accounts for around 10% of the consumer price basket, is driven primarily by variations in petrol prices at the pump, which in turn are derived from global benchmark prices. In July, a litre of Super 98 cost AED 2.70/l, down 9.7% y/y. This was a smaller decline than the 17.8% decline in June, however. In August, petrol prices are 11.8% lower y/y, meaning that transport will likely be a greater drag once more. We expect this trend will continue given that Brent crude averaged USD 74.8/b over August to December last year, much

higher than the present USD 65.8/b, or indeed our Q3 and Q4 forecast for an average USD 65/b.

As has been the case for the past several years, the primary upwards driver of price growth in July remained housing & utilities, which accounts for around 40% of the basket and was at 6.4% y/y. This was down from 6.6% in June, however, and the trend has now been disinflationary for the past five months in a row as some of the upwards pressure on housing eases with mounting supply. Other components of the basket saw continued mild inflation, with food & beverage prices up just 0.4% y/y and restaurants & hotels up 0.7%. This is reflective of trends in the monthly S&P Global PMI survey for Dubai, where prices charged by businesses see only mild increases in a highly competitive market.

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