Global Pulse | Monthly View

Regional inflation to moderate; price controls smooth shock

19 August 2026

Nick Stadtmiller
Chief Economist
nickstad@emiratesnbd.com

Daniel Richards
Senior Economist
danielricha@emiratesnbd.com

Jeanne Walters
Senior Economist
jeannew@emiratesnbd.com

- Price controls soften inflation from energy shocks, but effectiveness depends on shocks proving temporary.
- Saudi Arabia's administered petrol prices, rent controls keep inflation subdued, while UAE's deregulated fuel prices pass through quickly.
- Central banks in Egypt, India, Türkiye hold policy steady, assuming price shock likely short-lived; inflation rates likely to moderate in coming months.
- Weaker currencies, high food costs, still-fragile inflation expectations pose upside risks to inflation if price shock persists.

Policymakers face difficult choices in responding to inflationary forces generated by the supply shock from the US-Iran conflict. Higher policy rates can offset price pressures in one part of the economy but crimp growth. Subsidies and price controls shield consumers from higher prices but are often expensive.

Official controls on prices have reduced the impact of higher energy prices on households and limited increases in headline inflation rates. They can be effective in addressing a price shock—provided it is temporary.

Central banks across our core economies have assumed that price pressures will prove short-lived. Monetary officials in Egypt, India, and Türkiye have opted not to embark on hiking cycles to counter a temporary rise in inflation, aside from a minor change in the Turkish central bank's funding mix that led to a mild increase in effective short-term rates.

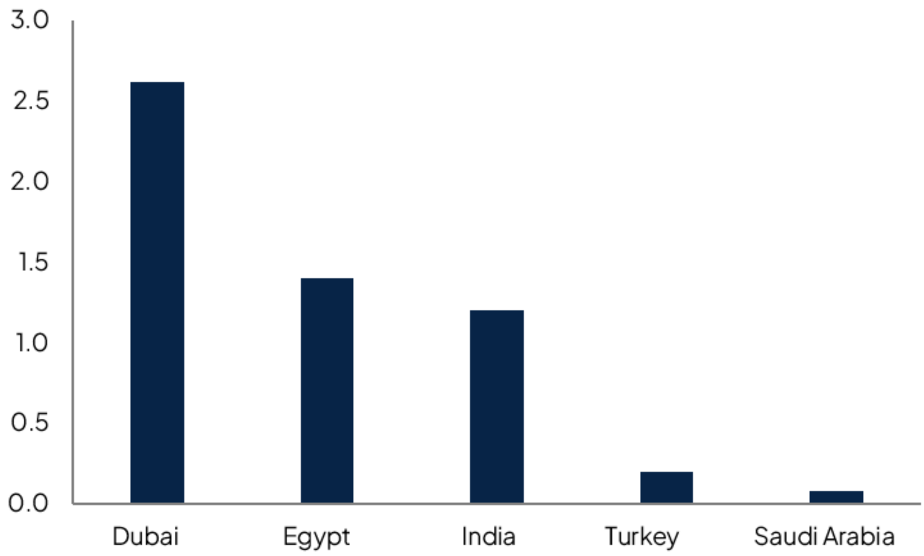
The Central Bank of Egypt started the year with the cushion of a high real policy rate, reducing pressure to raise rates in response to accelerating consumer prices. Inflation in India has been climbing from a very low base, also limiting the need for tighter policy in response to price pressures.

The UAE's and Saudi Arabia's currency pegs to the dollar have provided an anchor of stability amid difficult market conditions, while short-term rates have held steady as the Federal Reserve has left dollar rates unchanged.

Inflation impact uneven across regional economies

Increases in headline inflation since February across our five core markets have ranged from 2.6 percentage points in Dubai to less than 0.1 percentage points in Saudi Arabia. The divergence reflects, in part, the extent to which key prices are administered, as well as energy dependence, exchange rates, and demand conditions.

Increase in inflation: Feb–Jul 2026, percentage points



Source: Haver, Bloomberg, Emirates NBD Research.
Note: Dubai figures used in place of UAE data because the former are more up to date.

Across these markets, the state still influences prices for fuel, utilities, rents, and some basic goods. Such controls can absorb, delay, or smooth external shocks. Although often treated as fiscal or social-policy measures, they also shape the inflation path.

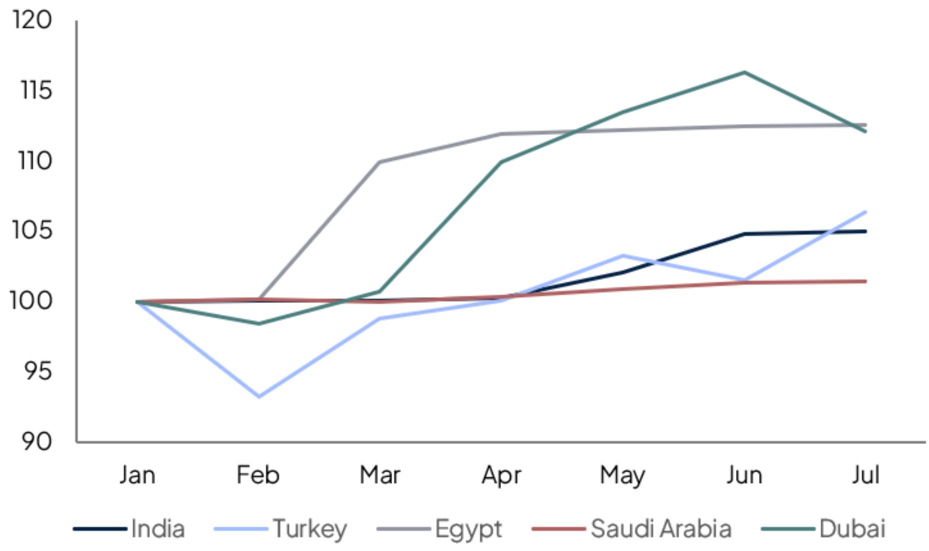
Saudi price gains undershoot rises in UAE

Saudi Arabia is the clearest example of state-set prices blocking a key inflation channel. Price controls have helped hold annual price gains below 2% in the Kingdom, and inflation should remain subdued through the rest of the year.

Petrol accounts for 4.6% of the Saudi CPI basket, but domestic prices have not risen this year despite a 50% jump in global oil prices. Subsidised fuel has limited the rise in headline inflation and curbed second-round pressure from transport, logistics, and goods prices. In housing policy, the freeze on rents in Riyadh has limited another important source of price pressure.

A narrower administered-price adjustment in the Kingdom led to a slight uptick in annual inflation in July, even with steady petrol prices. Household gas prices rose 40% last month after Gasco raised the refill price for an 11kg LPG cylinder by roughly the same amount at the start of July. Household gas has a basket weight of just 0.4%, limiting the impact of this price adjustment on headline inflation.

Transport inflation, index (Jan 2026 =100)



Source: Haver, Bloomberg, Emirates NBD Research.

In contrast, petrol and diesel prices in the UAE have been deregulated since 2015 and are reviewed monthly against global prices, meaning rises in global fuel costs pass through to consumer prices quickly. Transport, which includes fuel prices, accounts for 9% of Dubai's CPI basket, so fuel prices matter for headline inflation. The state still regulates or monitors some prices, including electricity, water, and essential food items.

Competitive goods markets leave UAE firms with limited pricing power, containing second-round effects from rising input costs. Purchasing-manager surveys suggest that firms are absorbing higher input costs to protect sales volumes, limiting pass-through largely to fuel, freight, and food prices.

Consumer-price growth in Dubai climbed to 5.7% in June, partly because of higher transport costs. We think June marked the peak in inflation, with price pressures likely to ease over the coming months after the annual headline CPI increase slowed to 5.3% in July.

Price controls effective if shock proves short-lived

The experience of Egypt, India, and Türkiye shows the limits of price controls' effectiveness. Governments can smooth consumer fuel and utility prices but often have less control over the channels through which shocks spread into food, supply chains, exchange rates, and inflation expectations. Price controls can keep inflation contained only when price shocks are temporary.

Egypt's subsidies have shielded households from the full rise in global energy prices. But fiscal pressure and an IMF-backed reform programme have forced repeated fuel-cost increases. Domestic fuel and petroleum-product prices rose by 14–30% in March, prompting a 9.8% month-on-month jump in transport costs. Annual headline inflation rose to 14.9% in July from 13.4% in February.

There are upside risks to price pressures in Egypt, but inflation should begin to slow after peaking in August. A weaker currency has raised the cost of imported energy, food, and production inputs. Less firmly anchored inflation expectations also increase the risk that state-set price increases spill into wider price pressures.

Indian state-run refiners recently raised petrol and diesel prices for the first time in four years, though an earlier cut of INR 10 per litre in central excise duties softened the direct hit to consumers. Even so, annual inflation rose to 4.5% in July, with transport accounting for around a third of the increase in the headline rate since February. India benefited from subdued price growth before the regional conflict started. As a result, inflation is still well within the RBI’s 2-6% target range, even after the recent rise in price growth.

Food and beverage inflation remains a risk, accounting for 37% of India’s CPI basket. Fertiliser, freight, and distribution costs are important indirect channels through which the regional supply shock can boost consumer-price inflation. Base effects and weak monsoon rains have driven much of the recent rise in food inflation. But a weaker rupee, combined with higher input and logistics costs, is likely to have added pressure.

Türkiye has also used fiscal policy to cushion the shock. A sliding-scale special consumption tax has partially softened the fuel-price impact, while electricity and natural-gas subsidies and price caps on some basic foods have smoothed the near-term path of consumer prices.

Turkish inflation had been falling before the conflict. But higher import costs and still-fragile inflation expectations have largely stalled that adjustment. With the consumption-tax mechanism due to be phased out by October for LPG and petrol, these measures mostly delay inflation rather than eliminate it.

Recent supply disruptions have pushed back the Turkish disinflation path by about a year. Inflation has slowed marginally over the past two months, but we expect annual price gains of around 30% by year-end, roughly the same pace as at the end of 2025. It will take at least two years for annual price growth to slow to single-digit rates.

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.