

Dubai inflation set to accelerate before easing in H2: Regional economics

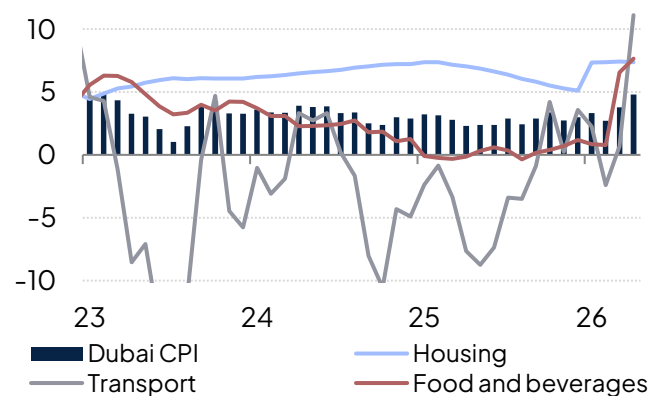
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- Dubai's annual inflation accelerated to 4.8% in April, driven primarily by conflict-related increases in transport and food prices.
- We expect price growth to peak at 5.4% in May before moderating later in 2026 as oil prices ease and supply disruptions recede.
- Higher fuel, freight and supply-chain costs are feeding through more broadly, with recent survey data suggesting that firms are passing higher costs on to consumers.

Headline price pressures in Dubai accelerated sharply in March and April as the ongoing US-Iran conflict pushed up fuel, transport, and imported food costs, while PMI surveys indicate that firms are passing these higher input costs on via higher selling prices.

We expect inflation to peak in mid-2026, reaching 5.4% in May, before moderating through the rest of the year to 2.9% by December as oil prices ease, and supply disruptions gradually recede.

Dubai CPI, % y/y



Source: Haver, Emirates NBD Research

Headline inflation rose to 4.8% year on year in April from 3.8% in March, after easing to 2.7% in February. Prices increased 1.3% month on month in April, following a 0.9% rise in March and a 0.1% decline in February.

In line with the sharp rise in oil prices since late February, the transport component of the CPI basket (11.7% weight) rose 2.3% month on month in March and a further 9.2% in April. This reflects lagged

pass-through as fuel prices are set monthly, as well as rising freight costs linked to disruption in regional shipping routes. As oil prices moderate, transport-driven inflation should begin to ease in the second half of the year.

The food and beverages component (9.6% of the basket) has also risen sharply as supply chains came under pressure following disruption in the Strait of Hormuz. Food prices rose 5.3% month on month in March—likely driven in part by seasonal cost pressures related to Ramadan, as well as conflict-driven transport costs—and a further 1.5% in April. Higher food costs also appear to be feeding through to the restaurants and accommodation component, which rose by almost 1% in April.

Housing and utilities, the largest component of the basket at 37.6%, rose sharply in January, increasing 2.8% m/m. While the pace of increase moderated to 0.4% in March and 0.3% in April, the large January adjustment has pushed annual housing inflation back to around 7.4% in the first few months of the year, after it has previously moderated to just above 5% at the end of 2025.

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