

GCC Inflation Update

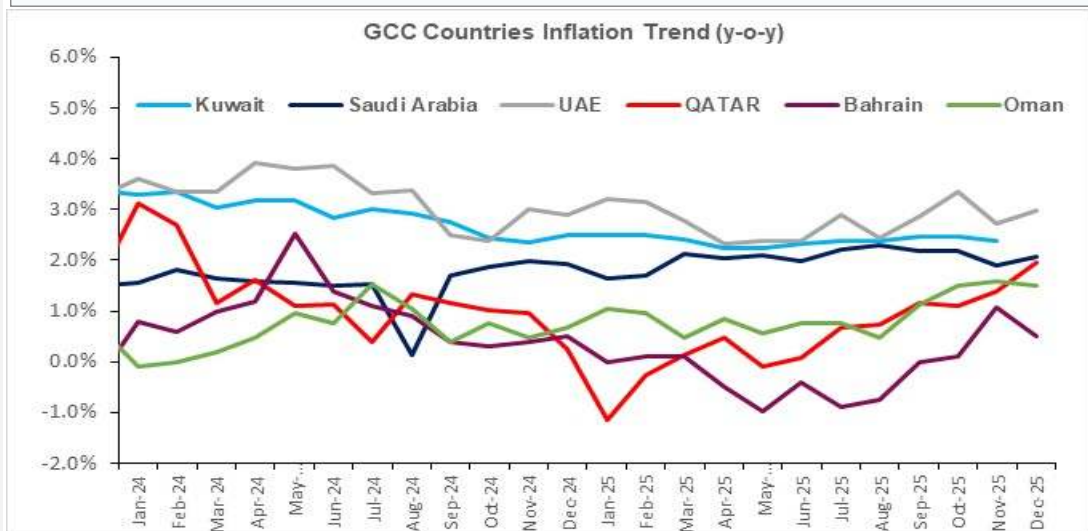
February-2026

GCC inflation remains subdued during 2025 ...

Inflation within the GCC countries remained stable and well-contained throughout 2025, thereby continuing the established pattern of stable inflation characteristic of these nations in the region over recent years. Moreover, inflation across the wider Middle East and North Africa (MENA) regions receded during 2025 despite persisting at levels higher than those within the GCC. Among the MENA oil-importing nations, inflation witnessed a decline in 2025, primarily softened by decreasing food prices; this led to an easing of the monetary policies that were originally put forward to reduce inflation in the first place. According to the World Bank, MENA headline inflation rates are anticipated to be generally stable for the 2026-2027 period, with expected growth in inflation among the region's non-GCC oil-exporting countries offset by a decline in inflation within the oil-importing countries of the MENA region. This expected fall in inflationary pressures across the region is projected to trigger an easing of monetary policies, which in turn is expected to strengthen economic growth throughout the region. Among the six GCC countries, Dubai reported an increase of 3.0% in its average annual inflation rate in 2025, which was slightly higher than its 2.9% annual average rate in 2024. On the other hand, the rest of the GCC countries reported mainly a lower inflation rate growth than Dubai. The average annual inflation rate for Kuwait witnessed a growth of 2.4% in November-2025. In contrast, the average annual inflation rate for Saudi Arabia recorded a gain of 2.1% in 2025.

In terms of global inflation performance, worldwide inflation averaged 4.1% in 2025 and is forecast to decline to 3.8% in 2026 and 3.4% in 2027, according to the latest World Economic Outlook Report from the IMF. In its most recent report, the IMF underlined that global inflation has been largely steady in 2025 despite a slight uptick in core rates.

US inflation witnessed moderate growth in 2025, registering 2.7% growth during the year, thereby closing the year on the upside of the US Federal target rate of 2%. Upward price pressures from significantly weighted categories of inflation, such as groceries, clothing, and utility gas, contributed to the overall growth of inflation in the US during 2025. The US CPI only recorded a marginal m-o-m 0.3% uptick in December-2025. Moreover, US tariffs on imports have also played a role in the elevated levels of inflation in the country during the year. According to the Yale Budget Lab, the average effective tariff on US imports reached the highest level since the 1930s, increasing from 2% to 18% in 2025. Comparatively, the annual inflation rate in the European Union (EU) area averaged 1.9% in December-2025, down from 2.7% in December-2024. The highest contribution to the annual Euro area inflation rate in December-2025 came from the Services group, which improved by 1.5%, followed by the Food, Alcohol & Tobacco group, which increased by 0.5% during the period.



Sources : Bloomberg, Kamco Invest Research, IMF

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Global Food Prices

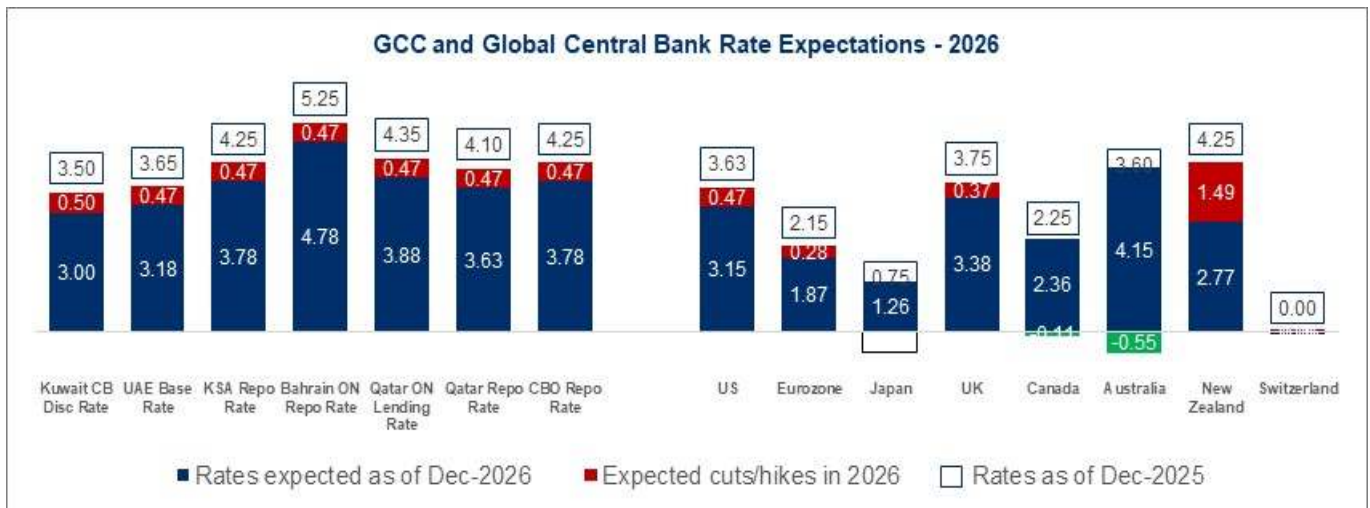
Global food prices witnessed overall moderate growth during 2025. The FAO Food Price Index increased by 2.3% (y-o-y) in 2025 but stood 22.4% lower than its March-2022 peak, according to the Food and Agriculture Organization of the United Nations (FAO). Overall, the FAO Index averaged 127.2 points during 2025, which was 4.3% higher than the 2024 average. The growth in global food prices was attributed to a 5.1% y-o-y increase in the average Meat Price Index during the year, mainly due to the tightening of global supplies. The increase in meat prices was primarily driven by higher bovine meat prices due to heightened market uncertainty, which was driven by concerns over animal disease outbreaks and geopolitical tensions. Moreover, world bovine and ovine meat prices witnessed a sharp increase in 2025, buoyed by strong import demand and limited export availability during the year.

The FAO Vegetable Oil Price Index averaged 161.6 points, recording a 17.1% y-o-y increase during 2025 and marking a three-year high amid tight global supplies. Some of the reasons that the index improved strongly during the year included growth in international palm oil prices, largely supported by prospective seasonal production slowdowns in Southeast Asia; this growth outweighed the impact of higher-than-expected outputs and inventories in Malaysia. On the other hand, the Sugar Index witnessed a 17% y-o-y decline during 2025, averaging 104.3 points and marking the index's lowest yearly value in 5 years, pressed down by the export availability of plentiful sugar supplies.

GCC Rate Cuts and Inflation

The global inflation slowdown during 2025 is anticipated to continue its downward trend throughout 2026 and 2027, according to the IMF. This inflationary deceleration in 2025 induced central bank policymakers to lower interest rates during the year. The US Federal Reserve reduced its borrowing rates three times in 2025, with all reductions occurring within the last four months of the year.

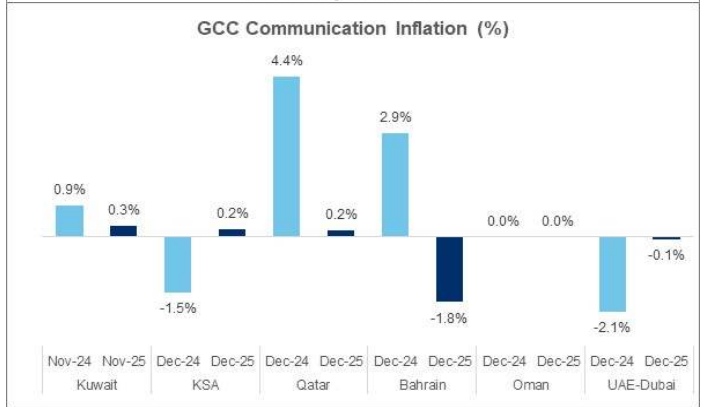
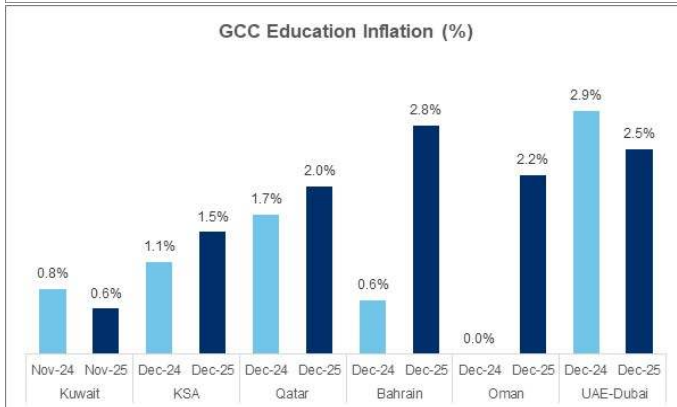
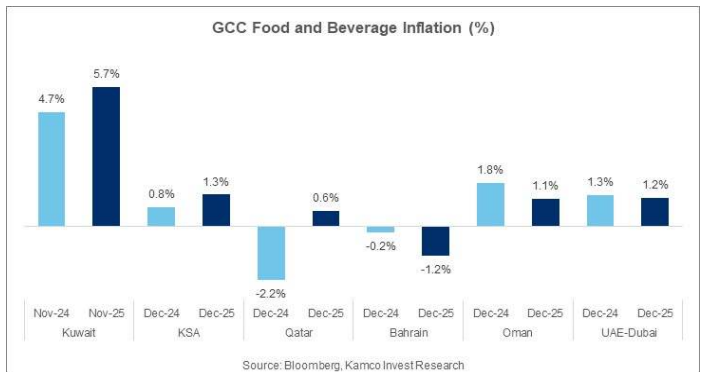
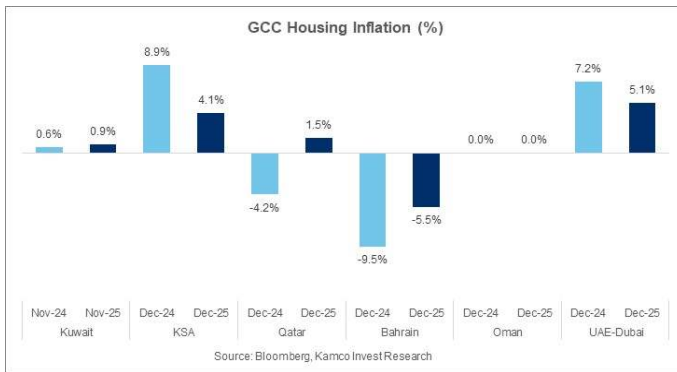
These Fed rate cuts were driven primarily by concerns about the US job market, as opposed to fears of tariff-induced inflation. In contrast, the European Central Bank implemented four interest rate cuts in 2025, executing one reduction at each of the first four monetary policy meetings of the year. The ECB carried out a series of four 25-basis-point reductions within the first half of 2025, lowering the deposit facility rate from 3.0% to 2.0%. For the second half of the year, the ECB maintained this rate at 2.0% across four consecutive meetings beginning in June-2025. The ECB's rate cuts in the first half of the year reflected the gradual stabilization of inflation in the Euro area, which averaged 1.9% in December-2025.



Sources : Bloomberg, Kamco Invest Research

GCC central banks continued to match the Federal Reserve's rate adjustments throughout the year, given that most GCC countries maintain currencies pegged to the US dollar, with the exception of Kuwait, which pegs its currency to a basket including the dollar. Following the latest Fed adjustment in December-2025, a 25-basis-point cut, GCC central banks mirrored the move accordingly. The UAE Central Bank reduced its base rate on the overnight deposit facility by 25 bps to 3.65%. Similarly, Saudi Arabia's Central Bank (SAMA) lowered its repo rate by 25 bps to 4.25%, while the Central Bank of Qatar reduced its repo rate to 4.10%.

Furthermore, the Central Bank of Bahrain cut its overnight deposit rate by 25 bps to 4.25% in December-2025, and the Central Bank of Oman lowered its repo rate by 25 bps to 4.25% during the same period. These coordinated actions also included Kuwait, which lowered its discount rate to 3.5% implementing a 25 bps reduction in December-2025.



Sources : Bloomberg, Kamco Invest Research

Kuwait

The latest Consumer Price Index (CPI) reading for Kuwait in November-2025 showed a (y-o-y) increase of 2.4%, a figure matching the average growth of 2.4% recorded over the preceding twelve months ending November-2025, according to official government data. This increase was primarily led by a 5.7% growth in the Food and Beverages index, followed closely by the Services and Miscellaneous index, which registered a 6.5% y-o-y rise. Furthermore, the Housing Services group, which holds the highest weight in Kuwait's CPI, remained stable during the month, recording a modest 0.9% y-o-y growth to close November-2025 at 123.9 points. The price increase in the Food & Beverages group was mainly attributed to rising costs within the meat and poultry categories, as well as the milk, cheese, and eggs groups. Similarly, the uptick in the Clothing & Footwear index was underpinned by an overall increase in prices for clothing and footwear.

Inflation in the Furnishing, Equipment & Household Maintenance group, the third-largest weighted category, witnessed a y-o-y increase of 2.1% in November-2025. Conversely, prices in Kuwait's Education group remained highly stable, recording only a marginal uptick of 0.6% y-o-y during the same month. Comparatively, prices in the Transport Index, which carry a weight of 7.5%, registered a 0.4% y-o-y increase, largely due to price stabilization for vehicle purchases and the operation of personal transport equipment during November-2025. In terms of m-o-m performance, Kuwait's CPI recorded a marginal 0.1% m-o-m growth during November-2025, reflecting overall price stability across major index groups. Prices in the Food & Beverages group increased by 0.2% m-o-m, while prices in the Housing Services group, the largest weighted component—remained unchanged at 0.0% in November-2025 compared to October-2025.

Saudi Arabia

Overall inflation growth in Saudi Arabia remained stable and under control during 2025, averaging slightly above the 2% mark. The annual average Consumer Price Index (CPI) recorded a 2.0% increase for the full year, while the December-2025 index showed a 2.1% (y-o-y) increase compared to December-2024. The moderate CPI uptick was primarily driven by higher prices in two key categories.

The Housing, Water, Electricity, and Other Fuels group, which holds the highest weight in the index, increased by 6.1% during 2025. Concurrently, the Food and Beverages group, also a significant component, recorded a 1.1% y-o-y increase, further underlying its substantial impact on the Kingdom's overall inflation. The Personal Goods & Services group recorded a 5.1% y-o-y rise in 2025, a figure largely induced by an 18.6% surge in the prices of other personal belongings. In contrast, prices in the Education group saw only a marginal improvement, rising by 0.3% during the year. Furthermore, the annual average prices for the Restaurants and Accommodation Services group increased by 1.8%, mainly driven by a 2.4% growth in accommodation services prices.

Consumer Price Index		Actual			Projections	
Y-o-y percent change	2023	2024	2025	2026e	2027e	
Bahrain	0.1%	0.9%	0.3%	0.8%	1.3%	
Kuwait	3.6%	2.9%	2.2%	2.2%	2.1%	
Oman	1.0%	0.6%	0.9%	1.5%	2.0%	
Qatar	3.1%	1.2%	0.1%	2.6%	2.3%	
Saudi Arabia	2.3%	1.7%	2.1%	2.0%	2.0%	
United Arab Emirates	1.6%	1.7%	1.6%	2.0%	2.0%	

Sources : Bloomberg, IMF, Kamco Invest Research

* IMF Projections

Within the broader context, three out of the thirteen main index groups in the CPI witnessed y-o-y price declines during 2025, while the remaining ten index groups recorded increases for the period. The Furnishing & Household Equipment group saw prices decline marginally by 0.8% y-o-y, primarily due to a 3.5% drop in the prices of carpets, flooring, and furniture. Similarly, prices in the Information and Communication group declined by 0.7% y-o-y, attributable mainly to a 6.8% fall in information and communication equipment services prices. Meanwhile, the Health group recorded a price decline of 0.2% during 2025, affected by a 2.2% fall in inpatient therapeutic and rehabilitative services prices.

UAE

The Dubai Consumer Price Index witnessed a moderate y-o-y uptick of 3.0% during December-2025, a figure slightly higher than the 2.9% monthly average recorded in December-2024. Overall, the Dubai CPI averaged an annual growth rate of 2.8% in 2025 as compared to 3.3% in 2024. Dubai's CPI index growth was primarily driven by the Housing, Water, Electricity, and Gas group, the highest-weighted category, which recorded a 5.1% monthly average increase and a 6.4% annual growth during 2025; this compares to a 6.7% average growth rate in 2024. In a general context, Dubai's housing inflation reached its lowest point in December-2025 in the last 33 months and is expected to continue its downward trend into 2026. Additionally, Dubai's Food & Beverages group, the third highest-weighted group in the CPI, recorded a monthly average increase of 1.2% during December-2025 as compared to 1.3% in the prior period, but remained stable for the full year with an annual growth of just 0.2%; this contrasts with the annual average growth of 2.3% recorded in 2024.

On the other hand, the Transport subgroup, the second-largest weighted group, recorded a 2.5% y-o-y annual average decline during 2025 as compared to a 2.2% annual average decrease in 2024, thereby offsetting a portion of the growth from the previous two subgroups in the CPI during the period. Overall, only one out of Dubai's 13 CPI subgroups recorded a y-o-y decrease during December-2025, while three out of the thirteen CPI subgroups witnessed average annual declines during the full year of 2025. In terms of average annual inflation growth forecasts, Dubai's annual average inflation for 2025 (2.8%) was moderately higher than the IMF, estimate for the overall average inflation forecast for the UAE during 2025 (1.5%) and exceeded the UAE Central Bank's own 1.8% projection for the year.

UAE inflation in Q2-2025 was subdued, recording marginal growth of 0.6% during the quarter, according to the UAE Central Bank in its latest Quarterly Economic Review Report. This subdued inflationary performance was mainly due to easing food prices and lower transportation costs. Moreover, the Central Bank of the UAE also revised its full-year UAE inflation forecast downward by 40 basis points (bps) to 1.5% for 2025, a moderation attributed to lower oil prices as well as lower non-energy goods prices. Meanwhile, the UAE Central Bank penciled in a slightly higher 1.8% growth rate for the country's inflation in 2026.

Qatar

Qatar's inflation rate increased by 2.0% y-o-y during December-2025, recording the second-lowest average yearly inflation rate growth among the Gulf Cooperation Council (GCC) countries. This moderate inflation rate growth followed a period in which eight out of the eleven CPI sub-indices recorded increases during December-2025, thereby elevating what could have been a lower inflation rate uptick for the month. The Food and Beverages group, one of the largest weighted groups in Qatar's CPI Index, witnessed a 0.6% y-o-y uptick during December-2025. In contrast, the Housing, Water, Electricity, and Gas Index, another majorly weighted sub-index, increased by 1.5% y-o-y during the same month. The moderate yearly inflation uptick was also supported by a 3.3% increase in the Clothing and Footwear group during December-2025. Conversely, three out of the eleven subgroups recorded declines, partially offsetting the overall CPI increase. The Health Index registered a 0.7% drop, while the Transportation Index declined by 0.4% during the same period.

Bahrain

Bahrain's inflation rate remained flat, recording only a y-o-y uptick of 0.5% in December-2025, as the general CPI closed the month at 101.6 points. In terms of m-o-m change, Bahrain's CPI declined by 0.7% during the month. Bahrain had the lowest inflation rate among the GCC countries that published data for December-2025. The y-o-y flattening of Bahrain's inflation rate was mainly due to contractions in seven out of the eleven sub-indices within the general CPI. The Housing, Water, and Electricity index witnessed the largest contraction, dropping by 5.5%, followed by the Furnishings, Household Equipment & Routine Maintenance of the House and the Communications Index, which saw y-o-y declines of 1.9% and 1.8%, respectively, in December-2025. Comparatively, the Food & Non-Alcoholic Beverages index recorded a 1.2% y-o-y decline, while the Education index showed moderately higher growth at 2.8% during the same period.

Oman

Oman's Consumer Price Index (CPI) recorded a marginal y-o-y increase of 1.5% in December-2025, compared to a 0.7% uptick in December-2024. The Sultanate's inflation rate has been on a downward trend throughout the year. The slight rise in inflation was primarily driven by a 1.1% y-o-y increase in the Food & Non-Alcoholic Beverages index, the second-largest weighted component. According to the Sultanate's government, the moderation of inflation over recent years in Oman resulted from the implementation of preemptive policies designed to control inflation. These measures, which were put in place to rein inflation stemming from the COVID-19 pandemic, included targeted support for commodities and basic services. This approach softened the effect of global price increases on local markets and helped protect the national economic growth of the Sultanate.

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