

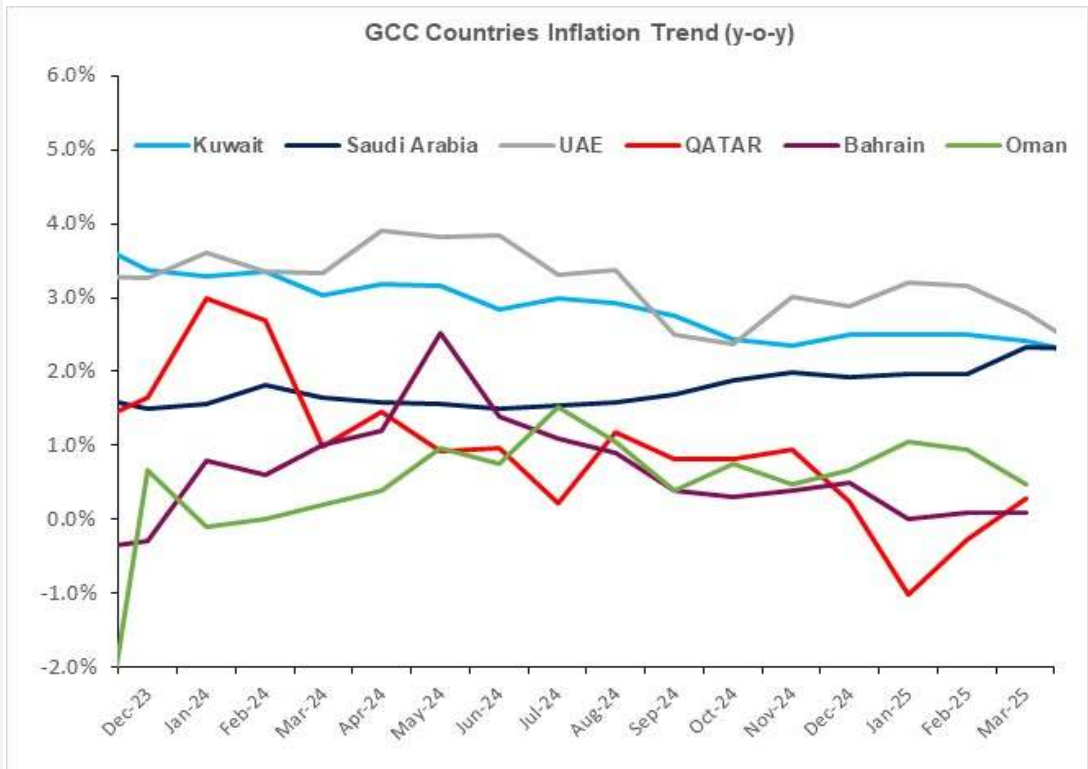
GCC Inflation Update

May-2025

GCC price stability persists amid global trade shocks...

Inflationary pressures across the Gulf Cooperation Council (GCC) countries remained contained during the first quarter of 2025, underscoring a broader regional trend of price stability. Among the six GCC nations, only Saudi Arabia and the United Arab Emirates (UAE) registered annual inflation exceeding 2% in March-2025, reflecting a generally subdued price environment. When compared to inflationary patterns across the wider Middle East and North Africa (MENA) region, the GCC continues to perform favorably, with price levels staying well below the regional average. This divergence is expected to persist throughout the remainder of the year, supported by moderating energy prices, expectations of a relatively stable global exchange rates after recent volatility, and careful monetary policy. However, downside risks that include uncertainties surrounding evolving global trade dynamics particularly in relation to recently imposed tariff measures—could potentially interrupt this disinflationary momentum and reignite upward pressure on prices, especially within more vulnerable MENA economies.

Globally, the specter of escalating trade protectionism—especially through increased tariffs targeting economies with strong ties to the United States—has the potential to reverse the downward trajectory in inflation observed over the past year. Research indicates that newly implemented US tariffs could cumulatively add as much as 2.3% points to US core inflation over the next 12 months. However, risks, global inflation continued to ease in 2024, extending the deceleration that began in the aftermath of the inflationary peak observed in 2022. This trend was expected to carry into 2025, supported by subdued global energy prices, stabilizing supply chains, and improving logistical networks. However, should the new US administration pursue a sustained increase in tariff barriers, this could introduce friction into the global trading system, negatively impacting growth and inflation expectations. Such measures could drive up costs, suppress productivity, and exacerbate existing price pressures—particularly in import-reliant economies. Encouragingly, recent diplomatic talks have shown progress, notably the US–China agreement to reduce tariffs by 115% over a 90-day period, suggesting a possible de-escalation in trade tensions.



Sources : Bloomberg, Kamco Invest Research, IMF

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In the United States, inflationary pressures softened in April-2025, with the annual inflation rate easing to 2.3%, down from 2.4% in March-2025. This decline was largely attributed to shifts in anticipated trade policies, with several new tariffs either postponed or suspended altogether. Additionally, weaker price growth in the US services sector contributed to the overall moderation in inflation. Nonetheless, US consumer sentiment declined significantly, falling by 32% between January and March-2025. This marked the sharpest drop in more than three decades, reflecting growing consumer uncertainty in response to political developments and the evolving trade landscape. By comparison, Eurozone inflation held steady at 2.2% in April-2025, slightly above market expectations. Meanwhile, Eurozone core inflation, which excludes volatile items such as food, energy, alcohol, and tobacco, rose to 2.7% in April, up from 2.4% in March-2025, reflecting continued price pressure in services and consumer goods.

Within the GCC, Dubai recorded a monthly inflation rate in April-2025, which reached 2.3% a slight moderation from 2.8% in March-2025. This was followed by Saudi Arabia, where inflation also stood at 2.3% in April-2025. In contrast, Kuwait’s monthly inflation rate was more moderate at 2.3% during the same period. Across the board, inflation remained well-anchored, supported by stable currencies pegged to the US dollar and continued government subsidies in sectors such as energy, food, and housing.

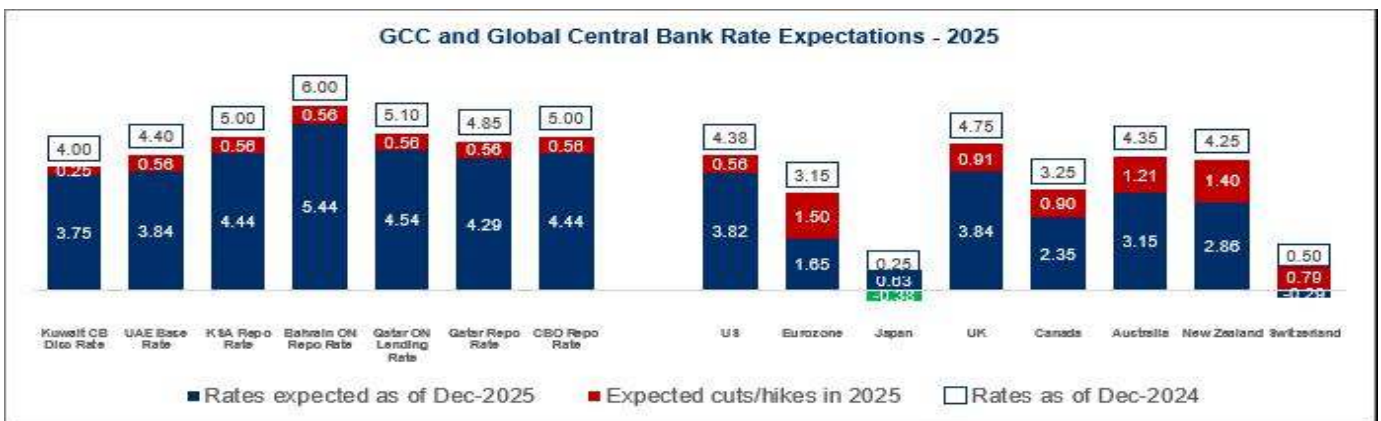
Global Food Prices

Global food prices demonstrated moderate growth in April-2025. The Food and Agriculture Organization’s (FAO) Food Price Index increased by 1.0% y-o-y. However, this figure remained 7.6% below the level recorded in the previous year and nearly 20% lower than its peak in March-2022. The marginal uptick was driven primarily by developments in the vegetable oil market. Specifically, the FAO Vegetable Oil Price Index declined by 2.3% from March to April-2025, led by significant decreases in international palm oil prices contributing to the subdued performance of the FAO price index. This decline more than offset the gains recorded in other vegetable oils such as soy and rapeseed, while sunflower oil prices held steady. The drop in palm oil prices was attributed to seasonally increased production levels and a resurgence in global export supplies from key producing countries in Southeast Asia.

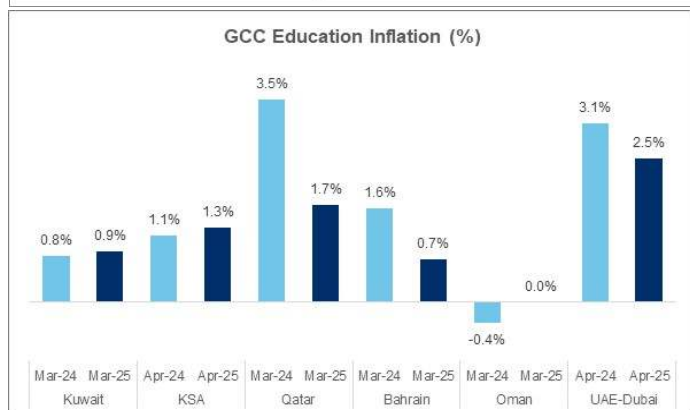
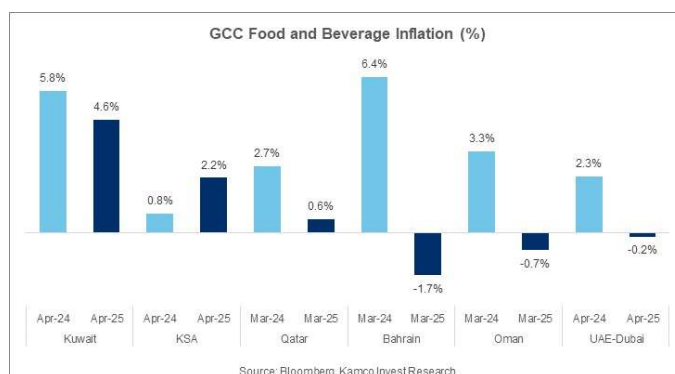
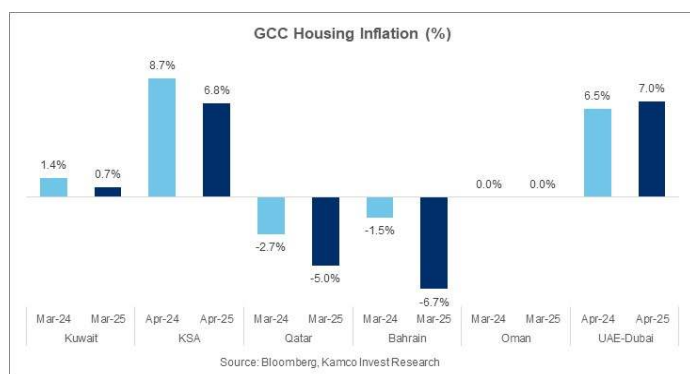
FED and ECB Rate Hike Expectations

Although inflation is not the sole determinant in shaping monetary policy decisions, it remains one of the most critical variables, alongside growth dynamics. In 2024, as inflationary pressures in both the United States and the European Union steadily moderated toward the central banks’ 2% target, the U.S. Federal Reserve (Fed) and the European Central Bank (ECB) began implementing a series of rate cuts. These reductions marked a reversal of the aggressive tightening cycles of 2022–2023, which had been enacted to curb post-pandemic inflation.

In the U.S., the gradual easing of inflation, combined with signs of cooling in the labor market, had led to expectation of rate cuts during 2025. However, recent disruptions in global trade—stemming from escalating tariff measures—have introduced uncertainty, potentially delaying the Fed’s anticipated monetary policy easing in 2025. At its most recent meeting, the Fed maintained the federal funds rate within the 4.25% to 4.5% range for the third consecutive time, signaling a cautious approach amid evolving economic conditions. Conversely, the European Central Bank faces a distinct and more delicate situation. The Eurozone has experienced a more pronounced decline in inflation compared to the U.S., alongside subdued domestic demand, retaliatory tariffs on U.S. goods, and weaker wage growth dynamics. These factors have created an environment conducive to earlier monetary policy easing by the ECB. In its April 2025 meeting, the ECB reduced its three key interest rates by 25 basis points, bringing the deposit facility rate to 2.25%, the main refinancing rate to 2.4%, and the marginal lending facility rate to 2.65%. This decision reflects the ECB’s proactive stance in addressing the region’s unique economic challenges while navigating external trade-related uncertainties.



Sources : Bloomberg, Kamco Invest Research



Sources : Bloomberg, Kamco Invest Research

Kuwait

According to official government statistics, Kuwait’s Consumer Price Index (CPI) increased by 2.3% y-o-y in April-2025, reaching 136.3 points. The increase was driven primarily by a 4.6% surge in the Food & Beverages group, followed by a 4.9% rise in the Services & Miscellaneous Goods group. Notably, price increases were observed in key food subcategories, including cereals, bread, meat, poultry, fish, and seafood. The rise in the Services & Miscellaneous Goods index was primarily driven by higher prices for personal effects and insurance services. The Clothing & Footwear index posted a 4.1% increase y-o-y, closing the month at 144.7 points. Meanwhile, the Furnishing, Equipment & Household Maintenance group, which carries significant weight in the CPI basket, grew by 3.5% compared to the previous year. The Education group experienced only a marginal rise of 0.9%, reflecting continued government support and fixed tuition fees.

In contrast, the Transport index—holding a 7.5% weight—contracted by 1.1% y-o-y, mainly due to falling vehicle prices and declining operational costs for personal transport. On a monthly basis, Kuwait’s CPI edged up by just 0.1% in April-2025 compared to March-2025. The Food & Beverages group recorded a 0.6% monthly increase, while Housing Services, the largest weighted component, remained unchanged at 0.0% contributing to overall price stability.

Saudi Arabia

In April-2025, Saudi Arabia's inflation rate rose to 2.3% y-o-y, slightly above the Saudi Central Bank’s inflation target of 2%. The increase was mainly driven by a 6.8% rise in the Housing, Water, Electricity, and Other Fuels group, the most heavily weighted component of the index.

This was primarily due to an 8.1% rise in rents, with apartment rental prices soaring by 11.9% y-o-y. Food & Beverages prices rose moderately by 2.2%, driven by a notable 9.4% increase in vegetable prices. The Personal Goods & Services index saw a 3.5% y-o-y gain, largely due to a 21.9% jump in prices for jewelry, watches, and precious antiques. Additionally, the Restaurants & Hotels group posted a 2.0% increase in prices, reflecting higher catering and hospitality service costs. Conversely, prices in the Furnishing & Household Equipment group declined by 1.8%, led by a 3.5% drop in furniture and floor covering prices. The Clothing & Footwear index declined by 1.2%, primarily due to a 2.1% drop in ready-made clothing prices. Meanwhile, the Transport group decreased by 1.0%, influenced by a 1.8% fall in vehicle prices.

Consumer Price Index	Actual				Projections	
	2021	2022	2023	2024	2025e	2026e
Y-o-y percent change						
Bahrain	-0.6%	3.6%	0.1%	0.9%	1.0%	1.5%
Kuwait	3.4%	4.0%	3.6%	2.9%	2.5%	2.2%
Oman	1.7%	2.5%	1.0%	0.6%	1.5%	2.0%
Qatar	2.3%	5.0%	3.1%	1.1%	1.2%	1.4%
Saudi Arabia	3.1%	2.5%	2.3%	1.7%	2.0%	2.0%
United Arab Emirates	-0.1%	4.8%	1.6%	1.7%	2.1%	2.0%
GCC	2.2%	3.3%	2.2%	1.6%	1.9%	1.9%
Arab World	8.4%	8.6%	10.6%	11.4%	7.7%	5.7%

Sources : Bloomberg, IMF, Kamco Invest Research

* IMF Projections

UAE

Dubai's Consumer Price Index rose by 2.3% y-o-y in April-2025, a slight moderation from the 2.8% increase recorded in March -2025. The Housing, Water, Electricity, and Gas group—which represents the highest weighted component in Dubai's CPI—posted a 7.0% monthly increase, significantly influencing overall inflation.

The Healthcare group registered a 3.0% y-o-y increase, slightly lower than the 3.1% recorded in March-2025. However, the Transport group, the second largest weighted category, declined by 7.6% y-o-y in April-2025, after a 3.3% drop in March-2025, exerting downward pressure on headline inflation. Overall, only four of Dubai's twelve CPI subgroups recorded y-o-y declines in April-2025. According to the International Monetary Fund (IMF), the UAE's inflation is forecasted to average 2.1% in 2025, rising from 1.7% in 2024. Inflation is projected to moderate slightly to 2.0% in 2026, reflecting stable price dynamics.

Qatar

Qatar reported a slight 0.3% y-o-y increase in its Consumer Price Index in March-2025, reaching 107 points. The muted inflation rate was driven by declines in four of the eleven CPI subgroups, which helped offset price gains in others. The Food & Beverages group declined by 0.6% y-o-y, while the Housing, Water, Electricity, and Gas group saw a significant 5.0% drop. On the other hand, the Communication group recorded a substantial 12.9% y-o-y increase, followed by moderate gains in Education (1.7%) and Transport (0.4%). On a monthly basis, Qatar's CPI declined by 0.8% in March-2025. Historically, the country's m-o-m inflation has averaged 0.09% from 2009 through 2024, with a record high of 1.59% in December-2023 and a record low of -2.6% in January-2022. The most significant monthly increase in March-2025 was recorded in the Communication group (8.8%), while Recreation & Culture posted a sharp 3.2% decline.

Bahrain

In Bahrain, annual inflation was virtually flat in March-2025, recording a marginal 0.1% y-o-y increase. The country's Consumer Price Index closed the month at 101.3 points. On a monthly basis, CPI declined by 0.2%, making Bahrain the lowest-inflation GCC country during the month. The weak inflation reading was primarily due to price declines in five of the twelve CPI groups. Notably, Housing, Water, and Electricity prices fell by 6.7%, Recreation & Culture dropped by 7.3%, and Health fell by 1.9%. Food & Non-Alcoholic Beverages also declined by 1.7%. Only a few categories registered notable price increases, such as Communications, which rose by 3.2% y-o-y. Looking ahead, the IMF projects Bahrain's inflation to average just 1.0% in 2025—the lowest among the GCC. Qatar and Oman follow with projected inflation rates of 1.2% and 1.5%, respectively.

Oman

Oman's CPI rose by a modest 0.5% y-o-y in March-2025, down from 0.9% in February-2025. The low inflation reflects broad price stability across consumer categories. According to Oman's National Centre for Statistics and Information, the largest increases were observed in Miscellaneous Goods & Services (6.1%), followed by Health (3.2%) and Transport (1.8%). Meanwhile, the Food & Non-Alcoholic Beverages index declined by 0.7%, mainly due to a 10.2% fall in vegetable prices and a 7.0% drop in seafood prices. Oman continues to maintain one of the lowest inflation rates in the GCC, supported by strong fiscal discipline and growing non-oil exports. On a m-o-m basis, Oman's inflation declined by 0.4% in March-2025 compared to February-2025.

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