

## GCC Inflation Update

July-2025

### *GCC price stability continues despite shocks in the region...*

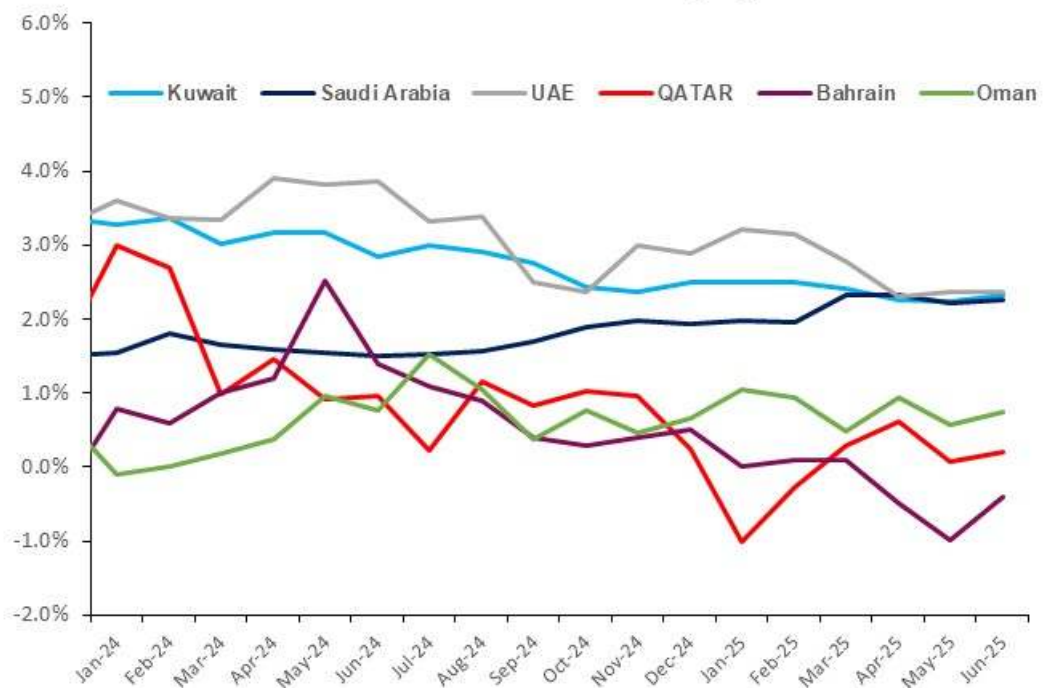
Despite the heightened geopolitical instability during Q2-2025, driven by the Middle East war and the ongoing war on Gaza, the inflation rate across the GCC region remained stable throughout the period. The war in the Middle East affected crude oil prices that surged to almost USD 79 per barrel. But quietly receded in the subsequent weeks as OPEC+ accelerated the output hikes aiming to unwind the full 2.2 mb/d by September-2025.

Brent crude oil is trading at USD 68.4 per barrel, 8.3% lower than its level at the end of 2024. The quarter also witnessed the start of the global tariff war that affected financial markets and expectations for future economic growth. One key factor limiting the conflict's inflationary impact on the region was the gradual nature of rising commodity and shipping costs, which tend to materialize over an extended period. Moreover, continued implementation of sound economic policies across the GCC has been instrumental in keeping inflationary pressures contained, resulting in inflation levels that remain significantly below those seen in other parts of the Middle East and globally.

In contrast, inflationary pressures in the United States strengthened in June-2025. The annual inflation rate rose to 2.7%, the sharpest increase in five months, up from 2.4% in May-2025. This acceleration was primarily due to price hikes in core goods, which reached a two-year high.

These increases are largely attributed to new tariffs affecting household furnishings, appliances, electronics, apparel, and toys. Meanwhile, the U.S. consumer price index registered a m-o-m growth of 0.3% in June-2025. Excluding the typically volatile food and energy sectors, U.S. core inflation increased by 0.2% m-o-m, with the annualized core rate rising to 2.9% in June. It is important to highlight that prior to this uptick, U.S. inflation had been on a generally downward trajectory. Similarly, inflation in the Eurozone rose in June-2025, reaching 2.0%, down from 2.5% in June-2024 but slightly higher than May-2025's rate of 1.9%. The Services sector experienced the highest y-o-y growth at 3.3%, followed by the Food, Alcohol, and Tobacco category, which rose by 3.1%.

GCC Countries Inflation Trend (y-o-y)



Sources : Bloomberg, Kamco Invest Research, IMF

### Junaid Ansari

Head of Investment Strategy & Research

+(965) 2233 6912

[jansari@kamcoinvest.com](mailto:jansari@kamcoinvest.com)

### Mohamed Ali Omar

Associate

+(965) 2233 6906

[momar@kamcoinvest.com](mailto:momar@kamcoinvest.com)

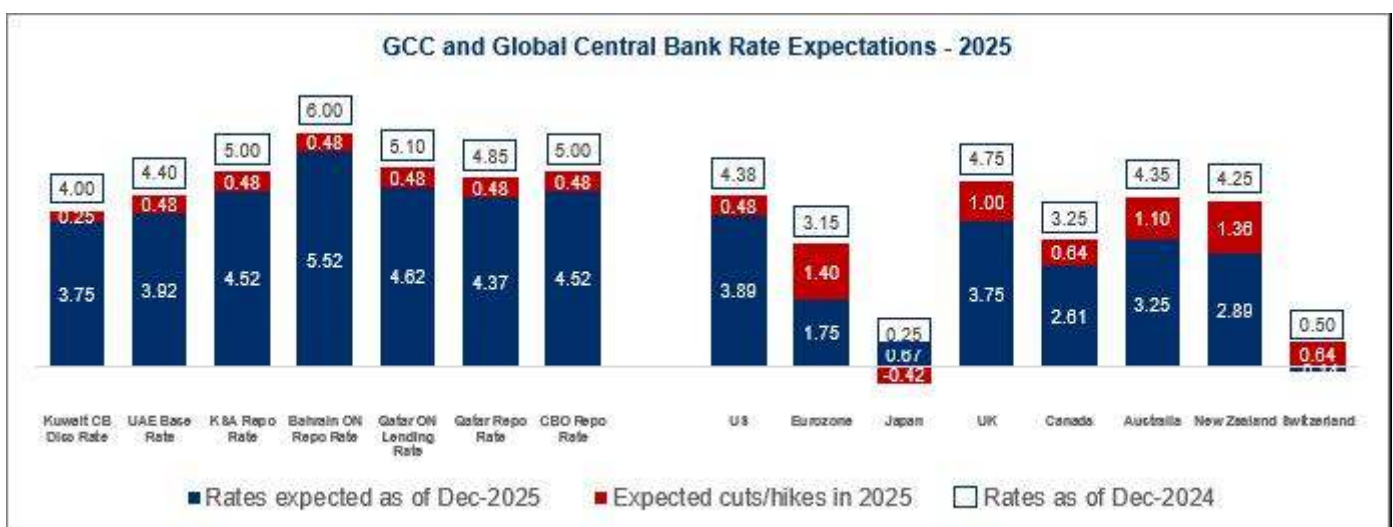
Within the GCC, Dubai recorded a monthly inflation rate of 2.4% in June-2025, unchanged from May-2025. This was followed by Saudi Arabia and Kuwait, both registering inflation rates of 2.3% in June. Overall, inflation remained steady across GCC countries during the month of June-2025. The Statistical Center for the Gulf Cooperation Council recently released data showing the average inflation rate in the GCC dropped to 1.7% in 2024, down from 2.2% in 2023. The GCC-Stat report highlighted notable disparities across the major expenditure groups. The Housing Group saw the largest increase at 5.7%, followed by Restaurants and Hotels and the Culture and Entertainment category, each rising by 1.8%. Education inflation came in at 1.7%, while Food and Beverages registered 1.5%, and the Goods and Services category recorded a 1.1% increase. Taking a broader view over the past five years, the region's inflation peaked at 3.1% in 2022, compared to 1.7% in 2020, 2.4% in 2021, and 2.2% in 2023.

## Global Food Prices

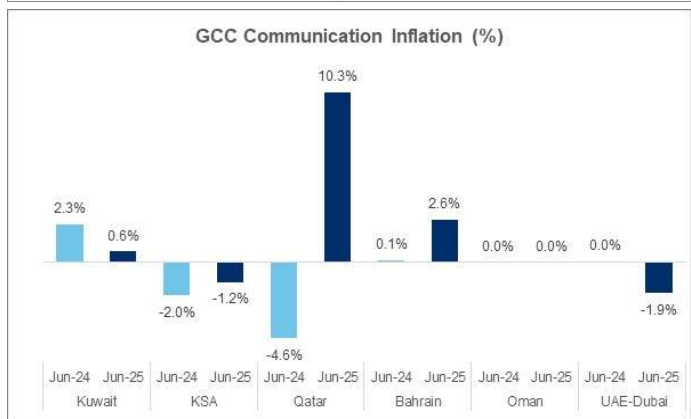
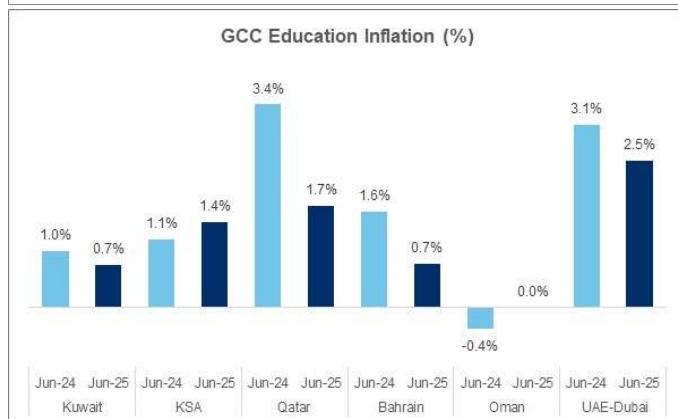
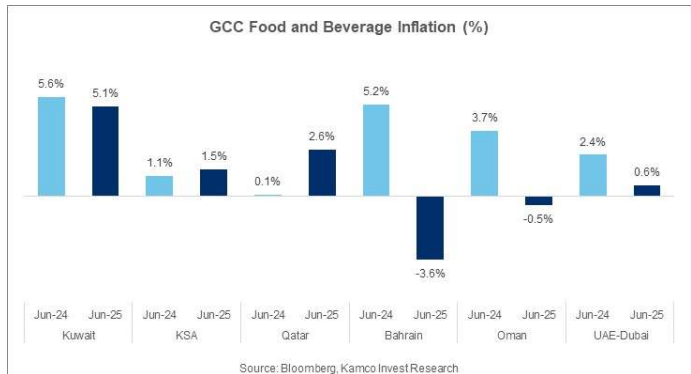
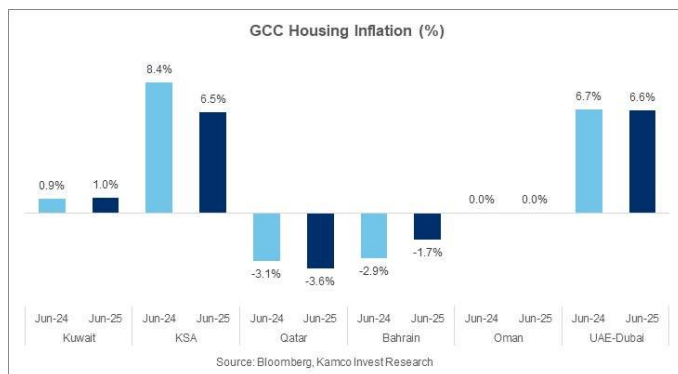
Global food prices registered moderate growth in June-2025, primarily driven by rising prices in the meat, dairy, and vegetable oil categories. According to the Food and Agriculture Organization's (FAO) Food Price Index, global food prices rose by 5.8% y-o-y during the month, although the index remained 20.1% below its peak level recorded in March-2024. The overall increase was largely supported by gains in the indices for dairy products, meat, and vegetable oils, which more than offset declines observed in the cereal and sugar categories. The FAO Meat Price Index averaged 126 points in June-2025, representing a 6.7% y-o-y increase and reaching a new all-time high. This growth was driven by higher prices across all meat categories, except poultry. In particular, global bovine meat prices hit a record high, reflecting constrained export supplies from Brazil and robust demand from the United States, which in turn placed upward pressure on Australian export prices. Conversely, the FAO Sugar Price Index averaged 103.7 points in June-2025, marking its fourth consecutive monthly decline and the lowest level recorded since April-2021. The decline in sugar prices was mainly attributed to improved supply prospects in several key producing countries.

## FED and ECB Rate Hike Expectations

So far in 2025, interest rates in the European Union have been cut from 3.75% deposit facility rate in June-2024 to 2.0% in deposit facility rate in June-2025, reflecting a sustained easing cycle, while the U.S. Federal Reserve has not mirrored this downward trend due to persistent inflationary pressures and concerns over elevated tariff risks. With the U.S. inflation rate reaching 2.7% in June-2025, the Federal Reserve is maintaining a cautious stance and we expect the impact an inflation from the tariffs would determine the future cause of rates cuts. Additionally, the continued impact of U.S. import tariffs, currently nearly 20% higher than they were at the beginning of 2025, further limits the Fed's flexibility to lower rates. Meanwhile, the European Central Bank (ECB) has kept interest rates unchanged for the first time since it started cutting rates, as recent data indicates the eurozone economy is maintaining a stable growth trajectory amid low inflation. Since June-2024, the ECB has cut interest rates eight times, bringing them down from a peak of 4.0% to the current 2%. In the GCC region, most countries are expected to align their monetary policy with the U.S. Federal Reserve, given that their currencies are pegged to the U.S. dollar, with the exception of Kuwait, which pegs its dinar to a basket of currencies that includes the dollar. In 2024, the majority of GCC central banks followed the Fed's rate cuts; however, Kuwait diverged by implementing a modest 25 bps cut compared to the 100 bps cuts adopted by other central banks in the region.



Sources : Bloomberg, Kamco Invest Research



Sources : Bloomberg, Kamco Invest Research

## Kuwait

According to official government statistics, Kuwait's Consumer Price Index (CPI) rose by 2.3% y-o-y in June-2025, reaching 136.9 points. The increase was primarily driven by a 5.1% rise in the Food & Beverages group, followed by a 3.9% increase in the Clothing and Footwear group. Notable price hikes were recorded across key food subcategories, including cereals, bread, meat, poultry, fish, and seafood. The rise in the Clothing and Footwear index stemmed mainly from higher prices for personal apparel and footwear. The Furnishing, Equipment & Household Maintenance group recorded a 3.3% y-o-y gain, closing at 114.3 points. Meanwhile, the Health index, which holds significant weight in Kuwait's CPI basket, increased by 2.9% compared to the previous year.

The Communication group showed only a marginal uptick of 0.6%. Conversely, the Transport index accounts for 7.5% of the overall CPI, contracted by 1.8% y-o-y, primarily due to falling vehicle prices and lower operating costs for personal transport. On a monthly basis, Kuwait's CPI edged up by 0.3% in June-2025 relative to May. The Food & Beverages group rose by 0.6% m-o-m, while the Housing Services group, the largest CPI component, increased by 0.4%, contributing to the marginal monthly inflation rise.

## Saudi Arabia

In June-2025, Saudi Arabia's inflation rate climbed to 2.3% y-o-y, the highest in two years, largely due to a 6.5% increase in the Housing, Water, Electricity, and Other Fuels group. This was driven by a 7.6% jump in rents paid for housing, including a 7.1% rise in villa rental prices. Given this group's 25.5% weight in the CPI, its increase had a notable impact on overall inflation. Additionally, the Food and Beverages group grew by 1.5%, mainly due to a 2.4% rise in meat and poultry prices. The Personal Goods & Services index recorded a 4.1% y-o-y increase, fueled by a 26.5% surge in prices for jewelry, watches, and antiques. The Restaurants & Hotels group rose by 1.6%, reflecting higher hospitality service charges. Meanwhile, the Furnishing & Household Equipment group saw prices decline by 1.7%, led by a 3.5% drop in furniture and flooring costs. The Clothing & Footwear index fell marginally by 0.6%, primarily due to a 1.4% decrease in garment prices. The Transport group also declined by 0.7%, impacted by a 1.7% fall in vehicle prices.

Consumer Price Index	Actual				Projections	
Y-o-y percent change	2021	2022	2023	2024	2025e	2026e
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%
<b>GCC</b>	<b>2.2%</b>	<b>3.3%</b>	<b>2.2%</b>	<b>1.6%</b>	<b>1.9%</b>	<b>1.9%</b>
<b>Arab World</b>	<b>8.4%</b>	<b>8.6%</b>	<b>10.6%</b>	<b>11.4%</b>	<b>7.7%</b>	<b>5.7%</b>

Sources : Bloomberg, IMF, Kamco Invest Research

\* IMF Projections

### United Arab Emirates (UAE)

Dubai's CPI increased by 2.4% y-o-y in June-2025, remaining unchanged from May-2025. The Housing, Water, Electricity, and Gas group, the most heavily weighted CPI component, posted a strong 6.6% y-o-y increase, exerting significant upward pressure on headline inflation. The Healthcare group rose by 3.0% y-o-y, mirroring the rate recorded in May, while the Education group also remained stable at 2.5%. The Food and Beverages group experienced marginal growth of 0.6%, while the Hotels & Restaurants group rose by 0.7% during the same period. However, the Transport group, the second largest weighted category, continued its downward trend, falling 7.4% y-o-y in June, following an 8.8% drop in May, thus dampening overall inflation. Only three of Dubai's twelve CPI subgroups recorded y-o-y declines in June-2025. According to the International Monetary Fund (IMF), the UAE's inflation is forecast to average 2.1% in 2025, up from 1.7% in 2024. Inflation is projected to ease slightly to 2.0% in 2026, reflecting continued price stability.

### Qatar

Qatar's CPI rose modestly by 0.2% y-o-y in June-2025, reaching 107.7 points. The limited inflation was a result of declines in seven of the eleven CPI subgroups, which offset price gains in the remaining four categories. The Food & Beverages group rose by 2.6% y-o-y, while the Housing, Water, Electricity, and Gas group recorded a significant 3.6% decrease. Conversely, the Communication group posted a substantial 10.3% y-o-y increase, while Education saw a moderate 1.7% gain. Tobacco prices remained unchanged. On a monthly basis, Qatar's CPI edged up by just 0.1% in June 2025. Historically, Qatar's m-o-m inflation has averaged 0.09% between 2009 and 2024, with a record high of 1.59% in December 2023 and a record low of -2.6% in January-2022. The highest monthly rise in March 2025 was recorded in the Clothing and Footwear group (0.8%), while Housing, Water & Electricity rose by 0.3%.

### Bahrain

Bahrain inflation also witnessed minimal changes in June-2025, with the CPI declining by 0.4% y-o-y to close at 101.4 points. On a monthly basis, however, CPI rose by 0.9%, making Bahrain the second lowest-inflation country in the GCC for the month. The subdued annual inflation was primarily attributed to price declines in five of the twelve CPI categories. Notably, Housing, Water, and Electricity fell by 1.7%, Recreation & Culture dropped by 2.3%, and Health declined by 0.1%. Food & Non-Alcoholic Beverages also fell sharply, down 3.6%. Among the few groups that saw price increases, Communications rose by 2.6% y-o-y. Looking ahead, the IMF projects Bahrain's average inflation rate to remain the lowest in the GCC at just 1.0% in 2025. Qatar and Oman follow, with projected inflation rates of 1.2% and 1.5%, respectively.

### Oman

Oman recorded a modest 0.8% y-o-y increase in CPI for June-2025, slightly up from 0.6% in May-2025. The low inflation environment reflects widespread price stability across consumer categories. According to Oman's National Centre for Statistics and Information, the largest increases were noted in Miscellaneous Goods & Services (7.5%), followed by Transport (3.1%) and Restaurants (1.4%). Meanwhile, the Food & Non-Alcoholic Beverages index declined by 0.5%, mainly driven by an 8.1% drop in vegetable prices and a 3.8% fall in seafood prices. Oman continues to maintain one of the lowest inflation rates in the region, supported by prudent fiscal policy and a rise in non-oil exports. On a m-o-m basis, Oman's CPI decreased by 0.3% in June-2025 compared to May.



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**Kamco Investment Company - K.S.C. (Public)**

Al-Shaheed Tower, Khalid Bin Al-Waleed Street- Sharq

P.O. BOX : 28873, Safat 13149, State of Kuwait

Tel: (+965) 2233 6600 Fax: (+965) 2249 2395

Email : [kamcoird@kamcoinvest.com](mailto:kamcoird@kamcoinvest.com)

Website : [www.kamcoinvest.com](http://www.kamcoinvest.com)

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