

GCC Inflation Update

November-2024

GCC inflation remains low reflecting global inflation decline...

Inflation in the GCC remains low and stable despite ongoing regional geopolitical tensions, including the war in Gaza and Lebanon and the Russia-Ukraine conflict. Unlike many other areas, particularly the broader MENA region, which has experienced sustained double-digit inflation over the past three years, the energy-exporting GCC countries have maintained relatively low inflation rates. Subsidies and price controls on essential items like energy and food have helped keep inflation in check. Among the six GCC countries, Oman reported the lowest year-on-year inflation growth in September-2024 at 0.4%, down from 1.1% in August-2024. In contrast, Kuwait experienced one of the highest inflation rates in the GCC, with a year-on-year increase of 2.8% in September-2024, slightly down from 2.9% in August-2024. Dubai recorded an inflation rate of 2.5% in September-2024, while the remaining GCC countries reported monthly inflation rates below 2.5% (Saudi Arabia at 1.7%, and Bahrain and Qatar at 0.9% at 0.8%, respectively). Looking forward, the IMF projects Saudi Arabia's inflation to decrease from 2.3% in 2023 to 1.7% in 2024, while the UAE is expected to see a rise from 1.6% in 2023 to 2.3% in 2024. Similarly, Kuwait's inflation is anticipated to drop from 3.6% in 2023 to 3.0% in 2024, and Qatar's inflation rate is forecasted to fall from 3.1% in 2023 to 1.0% in 2024.

Regionally, the IMF forecasts inflation rate growth in the Middle East and Central Asia countries to remain in the double-digits in 2024 at 14.6% and 10.7%, respectively, while overall global inflationary pressures are expected to cool down in 2024. According to the latest IMF World Economic Outlook report, global headline inflation is expected to fall from a yearly average of 6.7% in 2023 to 5.8% in 2024 and 4.3% in 2025. The ongoing deceleration of global inflation is expected to be accompanied by existing challenges in price stability. The forecasted decline in global inflation in 2024 and 2025 indicates an overall decrease in core inflation, mainly driven by the effect of delayed monetary policies. The IMF forecasts headline inflation in advanced economies to decline from 4.1% in 2023 to 2.5% in 2024 and 2.0% in 2025, whereas headline inflation in emerging market and developing economies is expected to witness a gradual decline from 8.1% in 2023 to 7.9% in 2024 and 4.0% in 2025.

In the US, the inflation rate declined by 2.4% y-o-y in September-2024, witnessing its sixth consecutive monthly decline and reaching its lowest level since February-2021, indicating progress towards the Fed's 2% inflation target. Comparatively, US core inflation (excluding food and energy) witnessed 3.3% growth during September-2024. A broad-based decrease in energy and gasoline prices underpinned the overall drop in inflation in the US during September-2024. On the other hand, US core inflation growth was driven by general increases in housing, vehicle insurance, and medical services during September-2024. The US inflation rate has been on a downward trajectory since March-2024 and in August-2024 stood at 2.5%, which prompted the Fed's first of two rate cuts since March-2020. In September-2024, the US Federal Reserve lowered the federal funds rate by half a percentage point to the 4.75%–5% range, down from the 5.25%–5.5% range since July 2023, citing an improving inflation situation and stabilizing balance of risks coupled with continued economic activity. Moreover, the Fed executed its second rate cut during November-2024 lowering the benchmark overnight borrowing rate by 25 bps to a target range of 4.5% - 4.75%.

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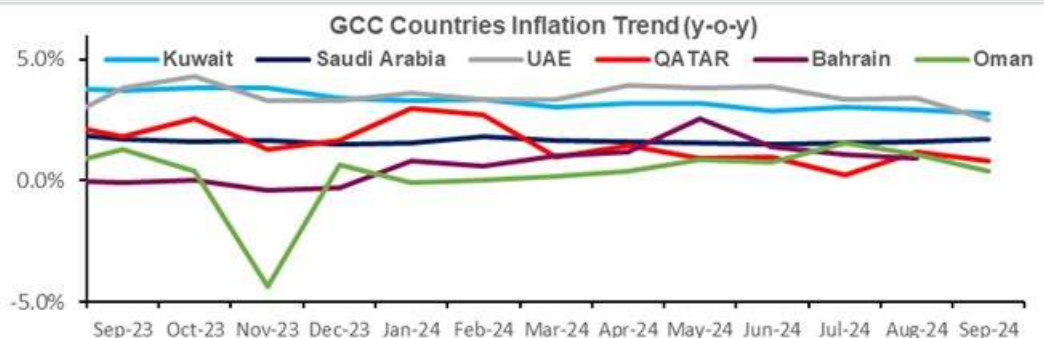
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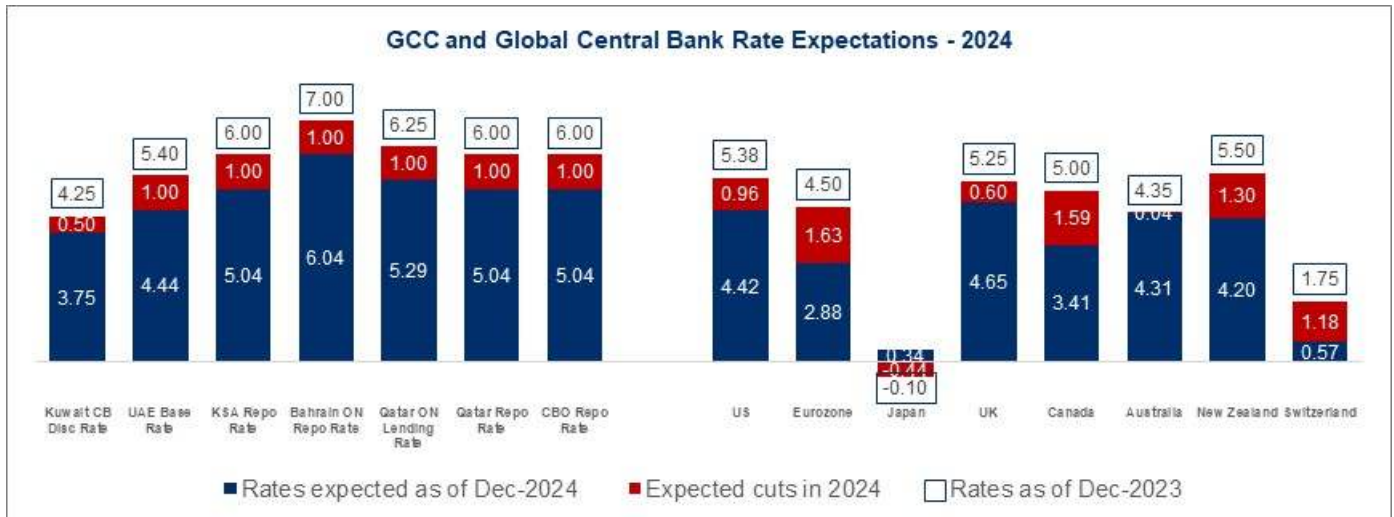
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Sources : Bloomberg, Kamco Invest Research, IMF



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Global Food Prices

The UN Food and Agricultural Organization's Food Price Index (FAO) increased by 3% m-o-m during September-2024 recording its biggest m-o-m increase since March-2022 to close the month at 124.4 points. The FAO Food Price Index growth was supported by an overall growth in all the constituent commodities indices during September-2024. The growth of food commodities indices was wide-ranging and included 0.4% m-o-m growth on meat price index and 10.4% m-o-m jump in the sugar price index.

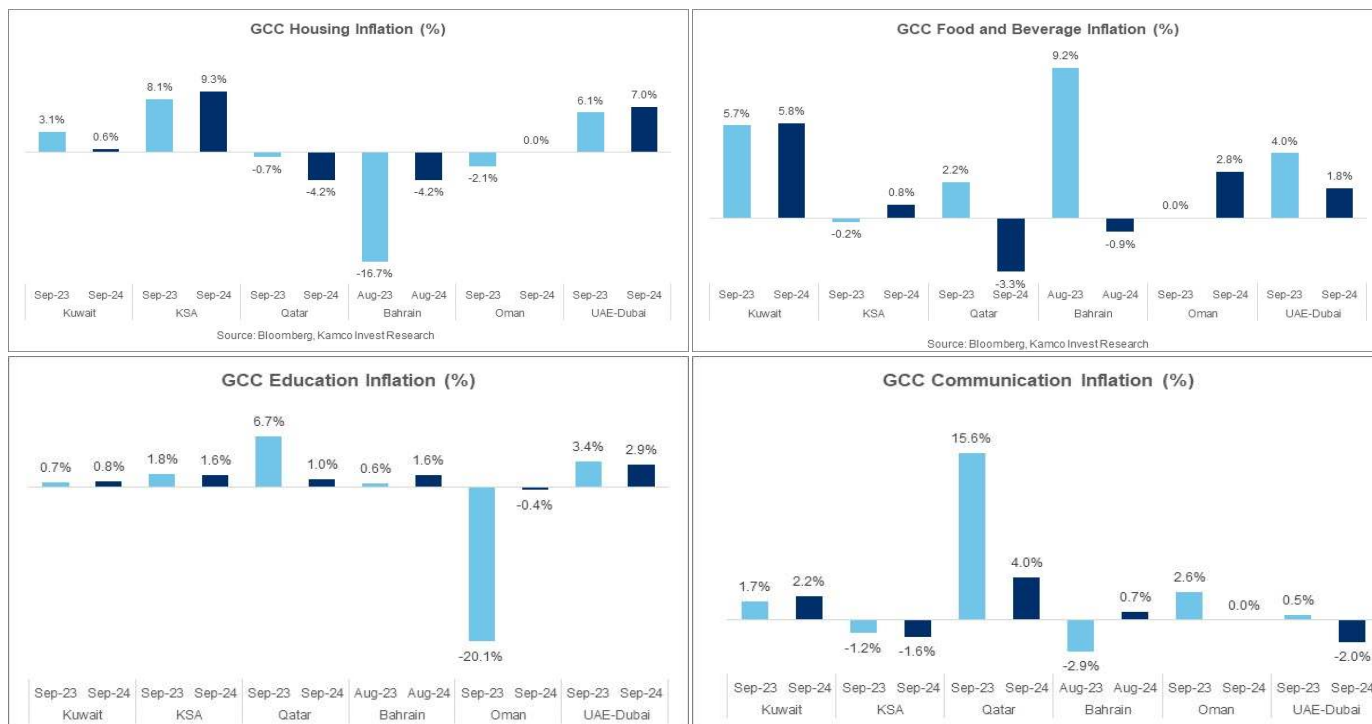
One of the main m-o-m increases of the FAO sub-indices during September-2024 was the 3% m-o-m growth of the FAO Cereal Price Index on the back of three consecutive month declines. This was mainly due to fears of harsh and harmful weather conditions in some key grain exporting countries. Unfavorable weather conditions in Canada and some European exporting countries have contributed to harvest delays and significant production cuts although some of these effects were mitigated by reasonably priced grain exports from the conflict prone Black Sea region. Similarly, the FAO Vegetable Oil Price Index recorded a 4.6% m-o-m growth during September-2024, its highest averaging mark in nearly two years. The growth in the Vegetable Oil Index was mainly driven by higher price estimates on soy, sunflower and rapeseed oils coupled with expected seasonal production declines in major exporting countries primarily from Southeast Asia.

On the other hand, the FAO Meat Price Index reported a 0.4% m-o-m and 4.8% y-o-y growth in September-2024. The index averaged 119.6 points during September-2024. The increase in the index was mainly due to increased poultry meat prices which resulted in robust import demand for Brazilian poultry meat following the easing of trade restriction on the country. In contrast, international bovine meat prices remained stable due to supply demand equilibrium between leading producing countries and top importing regions. Similarly, the FAO Dairy Price Index recorded 3.8% m-o-m increase and 21.7% y-o-y jump during September-2024. Strong growth in almost all dairy products contributed to the increase of the index during the month. Robust demand of whole milk powder from Asia as well as limited export supplies in western Europe contributed to the uptick of dairy products during September-2024.

Kuwait

The Consumer Price Index for Kuwait in September-2024 showed a y-o-y increase of 1.7%, according to official government data. The increase was mainly led by a 5.8% growth in the Food and Beverage index, followed by the Clothing and Footwear price index, which registered 5.7% y-o-y growth. Inflation in the Housing Services group, the largest weighted group, witnessed a y-o-y increase of 0.6% in September-2024. Kuwait's Education group prices were also up, recording an increase of 0.8% y-o-y during September-2024. However, prices in the Transport Index, which has a weight of 7.5%, registered a 1.6% y-o-y decline due to the decrease in prices of transport services according to government released government figures. The index for Furnishing Equipment and Household, which has a weight of 11.4%, recorded 4.0% y-o-y growth in September-2024, driven by an increase in prices of furniture, household utensils, home textiles, and glassware and tableware.

In terms of m-o-m performance, Kuwait's CPI recorded a 0.15% m-o-m growth during September-2024 due to mixed movements of price increases in some major groups, moderately balanced by price declines in other groups. Prices in the Food and Beverage group recorded a marginal uptick of 0.2% due to an increase in the prices of meat and poultry, as well as sugar and sugary products. However, the prices of fish and seafood retreated during the month, while the prices for bread, milk, and cereals increased. On the other hand, m-o-m prices in the Transportation group recorded a decline of 2.1% during September-2024 due to a decrease in prices of transportation services according to CBK released data. According to the IMF, Kuwait's consumer prices increased by 3.6% in 2023 but are expected to decline to 2.4% in 2024 and a further 1.7% in 2025.



Sources : Bloomberg, Kamco Invest Research

Saudi Arabia

The average annual Consumer Price Index in Saudi Arabia recorded 1.7% y-o-y growth in September-2024 compared to September-2023. The CPI uptick was mainly driven by a 9.3% growth in prices in the Housing, Water, Electricity, and Other Fuels groups, and a 1.6% increase in prices in the Education group. On the other hand, prices in the Transportation Index declined by 3.3% during September-2024, while prices in the Furnishings and Household Equipment group fell by 3.7% during the same period. Saudi Arabia's rental price growth was again the main driver of inflation in September-2024 compared to September-2023. Moreover, the Food & Beverages Index increased by 0.8% y-o-y during September-2024, mainly driven by a rise in vegetable prices. Similarly, prices in the Restaurants and Hotels group registered a 1.5% y-o-y increase during the month, driven by 1.5% growth in catering services during the period. In context, actual housing rents in the Kingdom increased by 10.0% in September-2024, mainly driven by growth in villa rents. Meanwhile, the Education Index recorded 1.6% y-o-y growth during September-2024 due to a 3.8% y-o-y rise in fees for intermediate and secondary education.

In terms of m-o-m price performance, the monthly inflation rate in Saudi Arabia improved by a marginal 0.1% during September-2024 compared to August-2024. The slight monthly increase in the index was influenced by a 0.6% uptick in the Housing, Water, and Electricity Index during the month. Moreover, the Saudi CPI index also recorded an increase in the Food and Beverage Index, supported by a 1.6% rise in vegetable prices during the period. The Restaurants and Hotels group, along with personal goods and services, both witnessed an increase of 0.1%. However, the index saw a decrease in the prices of the Transportation group, which dipped by 0.4%; the Recreation and Culture group, which declined by 0.3%; and the Furnishing and Home Equipment group, which slid by 0.3%.

UAE

The Dubai Consumer Price Index recorded a 2.5% y-o-y growth in September-2024, reaching 112.19 points compared to 109.45 points in September-2023. Dubai's CPI uptick was attributed to higher prices in specific subgroups, including the Insurance and Financial Services Group (+5.2%) and the largest weighted group in the CPI, the Housing, Water, Electricity, and Gas group (+7.0%). However, in context, Dubai's CPI index reached its lowest monthly inflation rate growth in just over a year during September-2024 as compared to 2.3% in August-2023.

In terms of m-o-m performance, Dubai's CPI Index recorded a marginal growth of 0.01% in September-2024, mainly due to stability in the m-o-m prices of significantly weighted groups, such as the prices of the Food and Beverages, Tobacco, and Textiles, Clothing, and Footwear groups, which remained unchanged during September-2024. It is noteworthy that prices in the Recreation, Sport, and Culture Group recorded a 6.0% m-o-m contraction during September-2024. In terms of forecast, the IMF has revised up its 2024 consumer price forecast for the UAE to 2.3% in 2024 and 2.1% in 2025, compared to an actual 1.6% growth in 2023.

Consumer Price Index	Average	Actual			Projections	
Y-o-y percent change	2000–20	2021	2022	2023	2024e	2025e
Bahrain	1.6%	-0.6%	3.6%	0.1%	1.4%	1.8%
Kuwait	NA	3.4%	4.0%	3.6%	3.0%	2.4%
Oman	2.0%	1.7%	2.5%	0.9%	1.3%	1.5%
Qatar	3.2%	2.3%	5.0%	3.1%	1.0%	1.4%
Saudi Arabia	1.9%	3.1%	2.5%	2.3%	1.7%	1.9%
United Arab Emirates	2.9%	-0.1%	4.8%	1.6%	2.3%	2.1%
GCC	2.2%	2.2%	3.3%	2.2%	1.8%	1.9%
Arab World	5.0%	8.4%	8.6%	10.7%	11.9%	8.5%

Sources : Bloomberg, IMF, Kamco Invest Research

Qatar

Qatar's inflation rate increased by 0.8% y-o-y during September-2024, recording the second lowest y-o-y inflation rate growth among GCC countries during September-2024. Qatar's moderate inflation rate growth came as a result of mixed trend among the subgroups of the general CPI index. Six out of the eleven sub-indices of the CPI recorded y-o-y declines but were more than offset by significant growth or no change in some of the remaining four sub-indices. Some of the subgroups that witnessed growth included the large-weighted Recreation and Culture (+12.6%) and Communication (+4.0%). In terms of m-o-m performance, Qatar's general Consumer Price Index, witnessed a marginal increase of 0.3% m-o-m over August-2024. The marginal m-o-m growth in inflation rate during the month was driven by a balanced mix of moderate growth, decline, and price stability among the overall subgroups of the index, such as Education (+0.0%) and Transport (+0.4%), coupled with a slower-paced dip in the Housing, Water, Electricity, and Gas subgroup (-1.4%). Qatar's stable inflation reflects its plans for economic growth, which are underpinned by the Third National Development Strategy launched earlier in 2024. The country's energy strategy seems to be bearing fruit as Qatar's government revenues are on track to reach their pre-2014 oil price crash levels. The IMF projects Qatar's inflation to decline from 3.1% in 2023 to 1.0% in 2024 and 1.4% in 2025.

Bahrain

Bahrain's inflation rate recorded a y-o-y uptick of 0.9% during August-2024 as the general Consumer Price Index closed the month at 102.0 points. In terms of m-o-m change, Bahrain's inflation rate recorded a marginal 0.1% growth during July 2024. The y-o-y increase in inflation rate was mainly due to growth in seven out of twelve sub-indices in the general CPI. Bahrain's Clothing and Footwear subgroup (+1.6%) in tandem with the Restaurants subgroup (+11.2%) have been key drivers of the y-o-y inflation growth during the month. On the other hand, y-o-y declines in key subgroups, including the Food and Non-Alcoholic Beverages (-0.9%) and Housing, Water, and Electricity group (-4.2%), have exerted significant downward pressure on the overall inflation rate growth in the Kingdom during the month. In terms of m-o-m performance, the Food and Non-Alcoholic Beverages subgroup witnessed a decline of 1.7% during July 2024, while the Restaurants subgroup recorded a slightly smaller m-o-m contraction of 0.9%. Meanwhile, the Water, Electricity, Gas, and other types of fuels subgroup recorded 0.7% growth during September-2024. Furthermore, prices in the Restaurants and Hotels subgroup decreased by 0.9%, while the Clothing and Footwear group rose by 1% during July 2024. The IMF expects Bahrain's consumer prices to increase from 0.1% in 2023 to 1.4% in 2024 and 1.8% in 2025.

Oman

Oman's inflation rate witnessed a 0.4% y-o-y growth during September-2024 as the general CPI index closed the month at 106.1 points after nine out of the twelve subgroups in the CPI recorded y-o-y increases. The Sultanate's inflation rate uptick was the lowest since April 2024. The inflation data revealed a 4.3% uptick in prices in the Miscellaneous Goods and Services group and a 2.4% increase in Health group prices.

In addition, the Food and Non-Alcoholic Beverages group saw a 2.8% increase, while Tobacco group prices rose 0.1%, and Housing, Water, Electricity, Gas, and other types of fuels remained stable at 0.0% growth during September-2024. According to the Central Bank of Oman, inflation in the Sultanate is influenced by global conditions due to the country's integration with global markets and is impacted by, among other things, oil price performance and exchange rate movements. However, the Sultanate moderates the impact of these external global economic conditions with an increased focus on diversification, coupled with administrative measures.

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