

GCC Inflation Update

November-2025

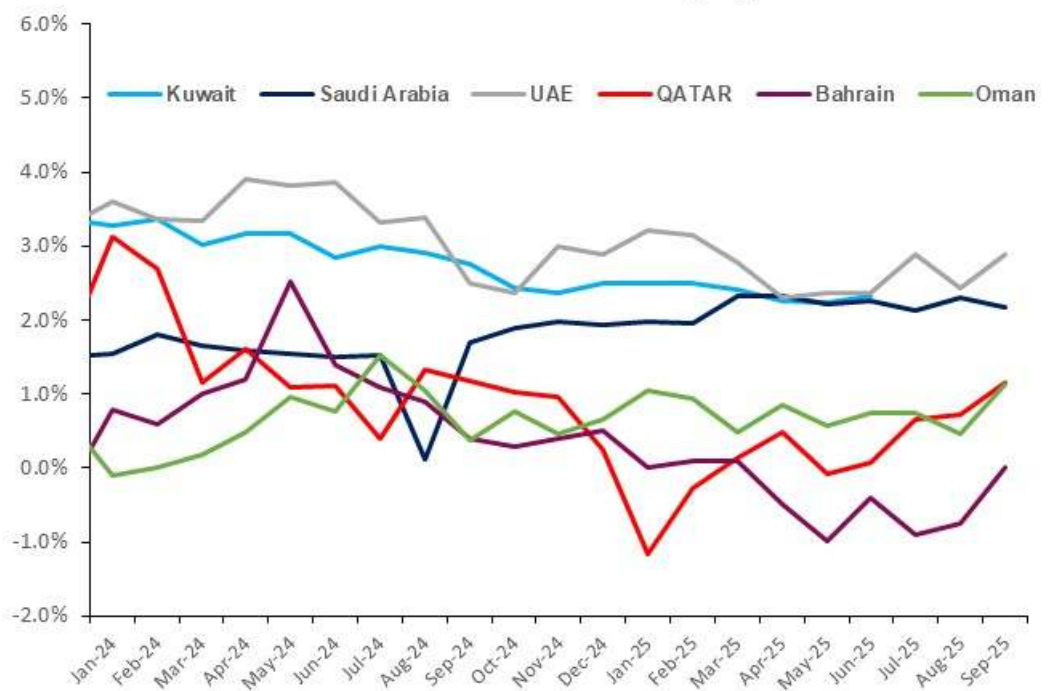
GCC price stability continues despite shocks in the region...

Inflation in the MENA region followed a downward trajectory during 2025. The International Monetary Fund (IMF), in its latest Regional Economic Outlook, highlighted its projection for inflation to ease across most MENA countries throughout 2025, a trend supported by lower anticipated energy prices and more constrained fiscal policy stances. Conversely, the IMF underscored that inflationary pressures could persist within key advanced economies, potentially elevating global borrowing costs. Furthermore, contributing factors such as the tariff exemption for US oil imports, the front-loading of consumption and investment ahead of anticipated tariff increases in certain nations, and trade diversion via third countries have also likely influenced the general disinflationary trend across the GCC and the broader MENA region.

The IMF projects GCC inflation will remain stable, positioned moderately under or at the 2% target for both 2025 and 2026. Similarly, for MENA oil importers, the IMF emphasized its forecast for persistently low inflation in several nations, including Jordan, while in others, such as Egypt, inflation is anticipated to recede from its historically elevated levels as the impacts of prior currency depreciation and energy-price increases diminish. Specifically, GCC inflation is forecast to rise modestly from 1.6% in 2024 to 1.7% in 2025 and 2% in 2026, staying beneath the central bank target of 2% throughout the forecast horizon. Nevertheless, in the global context, persistently high tariffs may compel central banks to adopt stricter, more restrictive monetary policies, which could translate into increased funding costs for MENA economies. This, in turn, might inadvertently intensify inflationary pressures across the region, counteracting existing disinflationary forces.

Despite heightened geopolitical instability and global trade disruptions, primarily instigated by US tariffs, the inflation rate throughout the GCC region remained stable during Q3-2025. However, a resurgence of inflation in major developed economies could trigger central banks to slow down the path to monetary easing to control domestic price growth, a policy shift with potential spillover effects on central banks within the GCC and the wider MENA region.

GCC Countries Inflation Trend (y-o-y)



Sources : Bloomberg, Kamco Invest Research, IMF

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Concurrently, oil production among OPEC+ producers was revised upwards during the third quarter of 2025. GCC oil output increased by 968,000 barrels per day between February-2025 and June-2025, with a further rise of 158,000 barrels per day from June-2025 to August-2025. OPEC+ has collectively increased output targets by approximately 2.9 million barrels per day since April-2025. This expanded oil supply is anticipated to influence inflation performance both within the GCC and globally. Increased oil output exerts a stabilizing downward pressure on oil prices, which subsequently reduces a diverse array of costs, including those for transport and electricity. Consequently, the heightened oil production from the OPEC+ group is expected to maintain a mild GCC inflation rate for the forecast period.

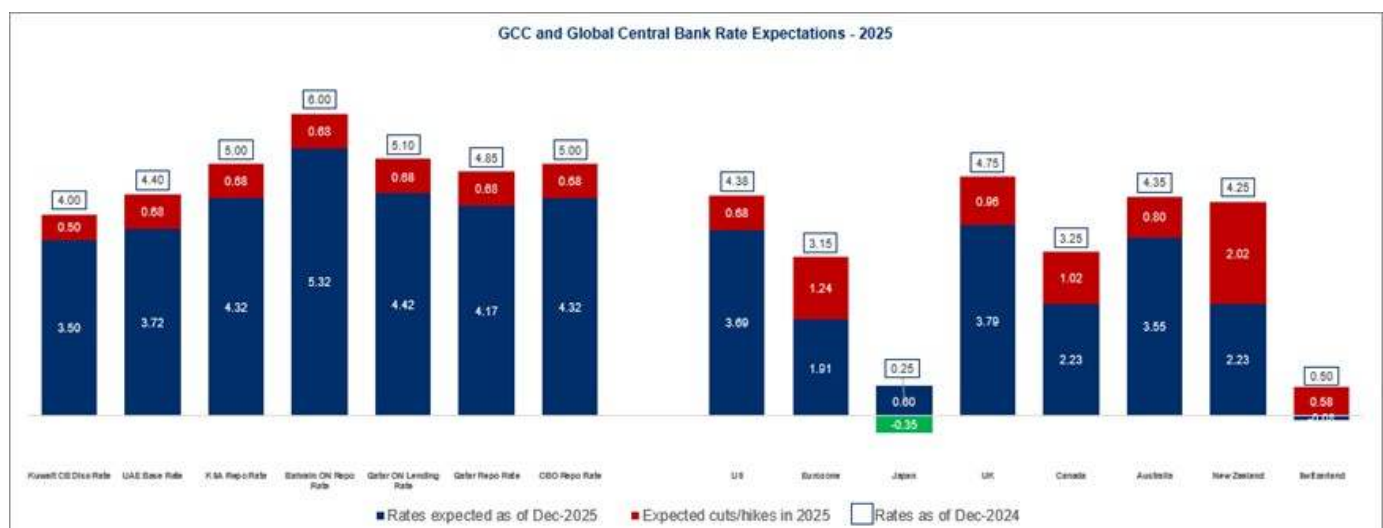
In contrast, inflationary pressures in the United States intensified in September-2025. The annual inflation rate climbed to 3% y-o-y, with a 0.3% increase month-on-month during the same period. This September-2025 uptick of 3% marked the second sharpest increase recorded over the first nine months of 2025, rising from 2.9% in August-2025. However, excluding the volatile food and energy categories, the US Core (CPI) witnessed a more modest 0.2% month-on-month growth in September-2025 and a 3% y-o-y increase vs 0.3% month-on-month during both July-2025 and August-2025. The overall rise in US inflation during September-2025 was largely attributable to price growth in food, non-alcoholic beverages, and natural gas.

Global Food Prices

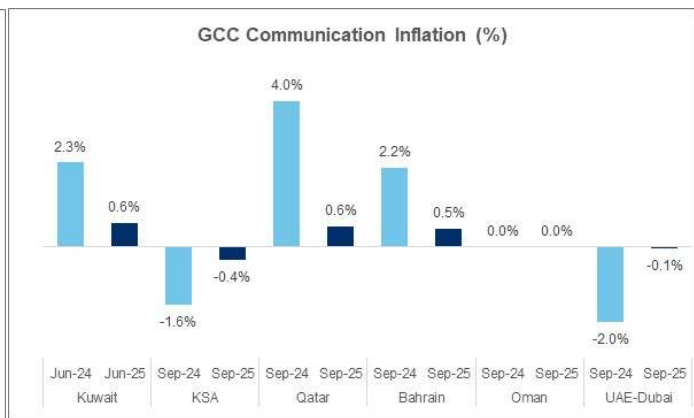
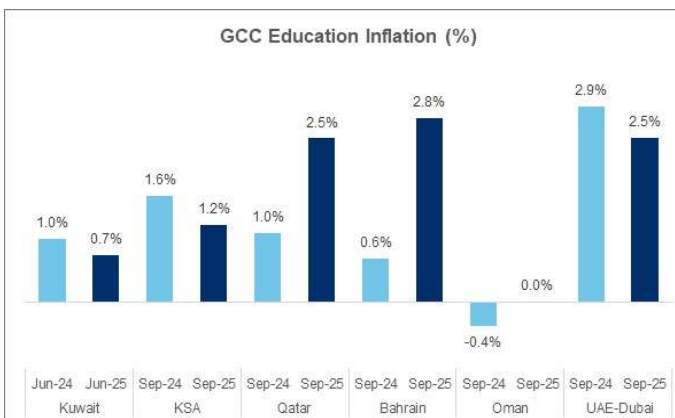
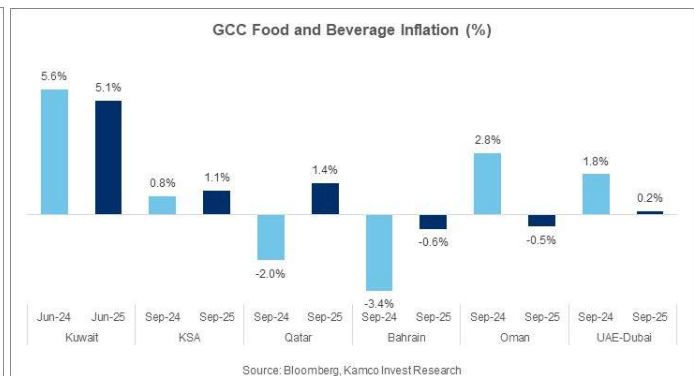
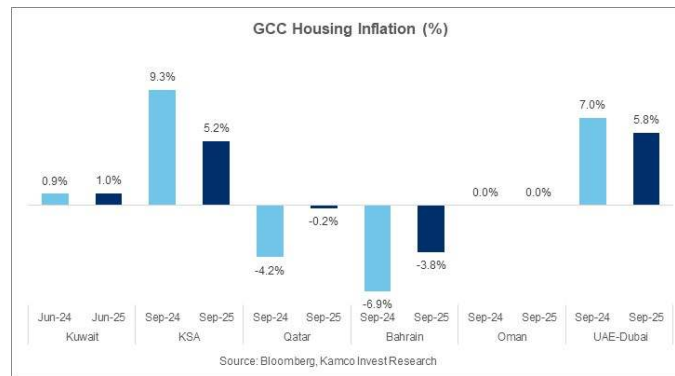
Global food prices registered a moderate decline in September-2025, primarily driven by falling prices within the dairy and sugar categories. According to the Food and Agriculture Organization's (FAO) Food Price Index, global food prices increased by 3.4% y-o-y during September-2025, although the index remained 19.6% below its peak level recorded in March 2022. The overall decrease was largely propelled by declines in the cereal, dairy, sugar, and vegetable oil indices, which collectively outweighed an increase in the meat index. The FAO Cereal Price Index averaged 105.0 points in September-2025, representing a 7.5% y-o-y decline, as world wheat prices fell for the third consecutive month, mainly due to subdued international demand and confirmation of large harvests in the Russian Federation and other key producing countries in Europe and Northern America. Similarly, the FAO Sugar Price Index averaged 99.4 points, declining 4.1% month-on-month during September-2025 and 21.3% y-o-y. This drop was prompted by higher-than-expected sugar production in Brazil, resulting from large crushing volumes and an increased allocation of sugarcane for sugar production in key southern growing regions. Moreover, additional downward pressure on sugar prices stemmed from positive harvest expectations in India and Thailand, where ample monsoon rains were witnessed. In contrast, the FAO Meat Price Index averaged 127.8 points during September-2025, recording 6.6% y-o-y growth and 0.7% month-on-month growth. The index's increase was underpinned by higher world bovine and ovine meat prices, while pig and poultry meat quotations remained broadly stable.

FED and ECB Rate Cut Expectations

The US Federal Reserve implemented an interest rate cut at the end of October-2025, its second reduction during 2025. The Fed lowered its benchmark interest rate by 0.25% to a target range of 3.75% to 4%. The US central bank's decision to ease monetary policy is aimed at bolstering economic growth by reducing borrowing costs, thereby spurring consumer spending and business investment. This move follows several indicators pointing to a continued slowdown in hiring within the USA; for instance, the ADP National Employment Report indicated private-sector payrolls contracted by 32,000 in September-2025. The Fed's rate cut also reflects its confidence in the expectation of falling inflation.



Sources : Bloomberg, Kamco Invest Research



Sources : Bloomberg, Kamco Invest Research

In response, most GCC central banks followed the Fed's decision by cutting their own rates, with the exception of Kuwait, which held its rates steady. Saudi Arabia, the GCC's largest economy, lowered its repurchase agreement (repo) rate by 25 basis points to 4.5% and its reverse repo rate also by 25 basis points to 4%. Similarly, the UAE central bank reduced the rate applied to its overnight deposit facility to 3.9% and the central banks of Oman, Qatar, and Bahrain mirrored the Federal Reserve's action by reducing their respective key policy rates by 25 basis points.

Saudi Arabia

Saudi Arabia's inflation witnessed a 2.2% y-o-y increase during September-2025, according to data from the Kingdom's General Authority for Statistics (GASTAT). In terms of month-on-month performance, Saudi Arabia's CPI registered a slight 0.1% decline during September-2025 compared to August-2025. The Personal Goods & Services group witnessed the biggest y-o-y growth during September-2025 with a 7.7% uptick, followed by the Housing, Water, Electricity, and Gas (WEG) group with 5.2% growth during the month, and the Recreation & Culture group with 2.7% growth during the month; this was mainly driven by a 6.7% increase in actual rents paid by tenants for primary residences. The Food and Beverages group recorded a 1.1% y-o-y increase during September-2025, driven by 0.6% growth in the prices of fresh, chilled, or frozen meat. On the other hand, two out of the twelve groups of the Kingdom's CPI witnessed month-on-month declines, including the Transport Group, which witnessed a 0.4% month-on-month decline mainly due to a fall in passenger transport during September-2025. On the other hand, the prices of the Housing, Water, Electricity, Gas and other fuels group increased by 0.4%, the food and beverages division by 0.1%, the personal care, social protection, and other goods and services division by 0.4% month-on-month, while the Education Services group improved a marginal 0.3% month-on-month.

UAE

Dubai's CPI increased by 2.9% y-o-y in September-2025, rising from 2.4% in August-2025. The Housing, Water, Electricity, and Gas group, the most heavily weighted CPI component, posted a strong 5.8% y-o-y increase, exerting significant upward pressure on the headline inflation figure. The Recreation and Culture group rose by 4.2% y-o-y, a sharp jump from the -1.8% rate recorded in August-2025, while the Education group remained stable at 2.5%. The Food and Beverages group experienced marginal growth of 0.2%, and the Hotels & Restaurants group rose by 0.8% during the same period. However, the Transport group, the second-largest weighted category, continued its downward trend, falling 0.9% y-o-y in September-2025, following a 3.5% drop in August-2025, thereby exerting a moderate influence on overall inflation.

Consumer Price Index		Actual			Projections	
Y-o-y percent change	2022	2023	2024	2025e	2026e	
Bahrain	3.6%	0.1%	0.9%	0.3%	0.8%	
Kuwait	4.0%	3.6%	2.9%	2.2%	2.2%	
Oman	2.5%	1.0%	0.6%	0.9%	1.5%	
Qatar	5.0%	3.1%	1.2%	0.1%	2.6%	
Saudi Arabia	2.5%	2.3%	1.7%	2.1%	2.0%	
United Arab Emirates	4.8%	1.6%	1.7%	1.6%	2.0%	
GCC	3.3%	2.2%	1.6%	1.7%	2.0%	

Sources : Bloomberg, IMF, Kamco Invest Research

According to the latest Regional Economic Outlook Report by the International Monetary Fund (IMF), the UAE's inflation is forecast to average 1.6% in 2025, down from 1.7% in 2024. Inflation is projected to increase slightly to 2.0% in 2026, reflecting an environment of continued price stability.

Bahrain

Bahrain's inflation witnessed minimal changes in September-2025, with the CPI remaining unchanged y-o-y, closing at 101.7 points. On a monthly basis, however, the CPI rose by 0.5%, rendering 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, Clothing and Footwear fell by 0.8%, Recreation & Culture dropped by a marginal 0.3%, and Health declined by 0.9%. Conversely, Food & Non-Alcoholic Beverages increased by 1.6% m-o-m but dropped 0.6% y-o-y during September-2025. Among the few groups that saw price increases, Education rose by 2.8% y-o-y. Looking ahead, the IMF projects Bahrain's average inflation rate will remain the second lowest in the GCC at just 0.3% in 2025, after Qatar, which has a forecast of 0.1% inflation for 2025.

Oman

Oman recorded a moderate 1.1% y-o-y increase in its CPI for September-2025, slightly up from 0.5% in August-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 (7.7%), followed by Transport (4.4%) and Restaurants (2.6%). 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 month-on-month basis, Oman's CPI decreased by 0.3% in June 2025 compared to May.

Qatar

Qatar's CPI rose moderately by 1.1% y-o-y in September-2025, reaching 109.4 points and marking the highest inflation rate since August-2024. This moderate inflationary growth resulted from price declines in five of the eleven CPI subgroups, which effectively offset price gains in five of the remaining six categories. The Food & Beverages group rose by 1.4% y-o-y, while the Housing, Water, Electricity, and Gas group recorded a marginal 0.2% decrease. Conversely, the Communication group posted a similarly moderate 0.6% y-o-y increase, while Education saw a moderate 2.5% gain. Tobacco prices remained unchanged. On a monthly basis, Qatar's CPI edged up by just 0.9% in September-2025. In terms of month-on-month performance, Qatar's inflation rate improved by 0.9% during September-2025. Qatar's Recreation and Culture group reported the largest month-on-month group uptick of 3.8% during September-2025, followed by Education (+2%). Historically, Qatar's month-on-month 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%.

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