



# Inflation Report

1st Quarter, 2015



**Monetary Policy and Financial Stability Department**  
**Saudi Arabian Monetary Agency**



### Cost of Living Index

The general cost of living index registered an annual increase of 2.0% in March 2015, as compared to a monthly rise of 0.1%. It recorded an annual increase of 2.1% during the first quarter of 2015, against a quarterly rise of 0.2% (Table 1 and Chart 1).

### Developments in the First Quarter, 2015

The general cost of living index rose by 0.2% in the first quarter of 2015 compared to the fourth quarter of 2014. It advanced by 2.1% in the first quarter of 2015 as compared to the corresponding quarter of the previous year.

Housing, water, electricity, gas and other fuels group posted the highest inflation rate

during the first quarter of 2015 as compared to the preceding quarter, registering a quarterly inflation rate of 1.3%. The groups of tobacco, clothing and footwear; and recreation and culture came second with 0.8% each; next was health group with 0.6%; followed by furnishings, household equipment and maintenance group with 0.4%; then came telecommunication group with 0.3% and restaurants and hotels group with 0.1%. (Table 1 and Chart 2).

In contrast, food and beverages group recorded the highest quarterly deflation rate of 1.1% during the first quarter of 2015 as compared to the corresponding quarter of the previous year. Transportation group

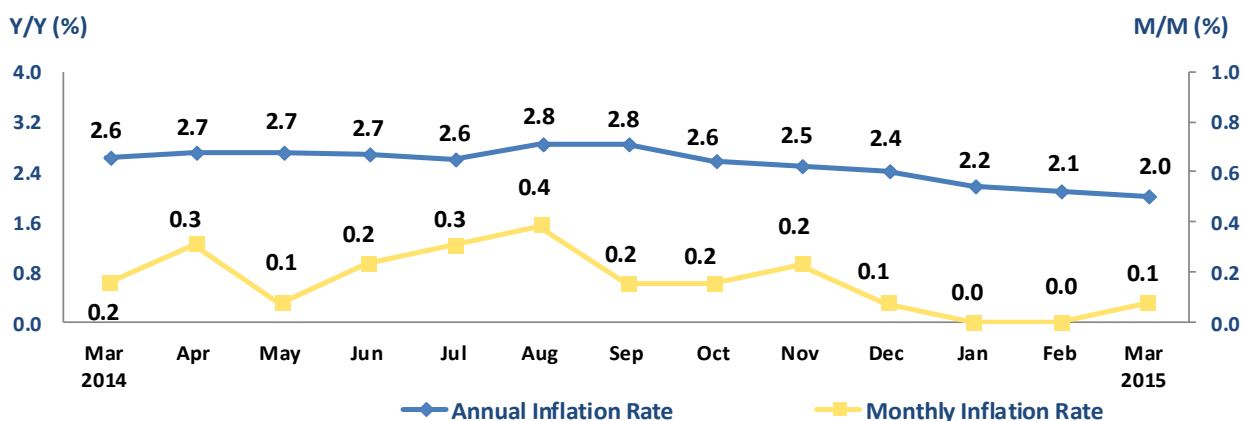
**TABLE 1: COST OF LIVING INDEX**  
(2007=100)

	Weights	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Q1 2015	(% change	
							Q1 2015/ Q4 2014	Q1 2015/ Q1 2014
<b>General index</b>	<b>100.0</b>	<b>128.8</b>	<b>129.6</b>	<b>130.6</b>	<b>131.3</b>	<b>131.5</b>	<b>0.2</b>	<b>2.1</b>
Food & beverages	21.7	143.6	143.8	145.1	147.8	146.2	-1.1	1.8
Tobacco	0.5	161.2	161.6	162.8	163.5	164.8	0.8	2.2
Clothing & footwear	8.4	105.0	104.9	105.7	106.4	107.3	0.8	2.1
Housing, water, electricity, gas & other fuels	20.5	157.7	159.4	159.7	159.7	161.7	1.3	2.6
Furnishings, household equipment & maintenance	9.1	127.0	127.2	128.4	130.2	130.7	0.4	2.9
Health	2.6	111.2	112.0	113.1	113.9	114.5	0.6	3.0
Transport	10.4	109.5	110.4	110.8	110.9	110.3	-0.5	0.7
Communication	8.1	93.6	93.5	93.9	93.7	93.9	0.3	0.3
Recreation & culture	3.5	109.1	110.8	117.7	118.3	119.3	0.8	9.3
Education	2.7	115.7	115.7	115.7	116.3	116.3	0.0	0.5
Restaurants & hotels	5.7	129.0	129.9	130.0	129.5	129.6	0.1	0.4
Miscellaneous goods & services	6.8	118.2	120.0	121.5	120.8	120.4	-0.3	1.9

**Source: Central Department of Statistics and Information.**



**Chart 1: Inflation Rate of the General Cost of Living Index  
(2007=100)**



Source: Central Department of Statistics and Information.

came second with 0.5%; followed by miscellaneous goods and services group with 0.3%. (Table 1 and Chart 2).

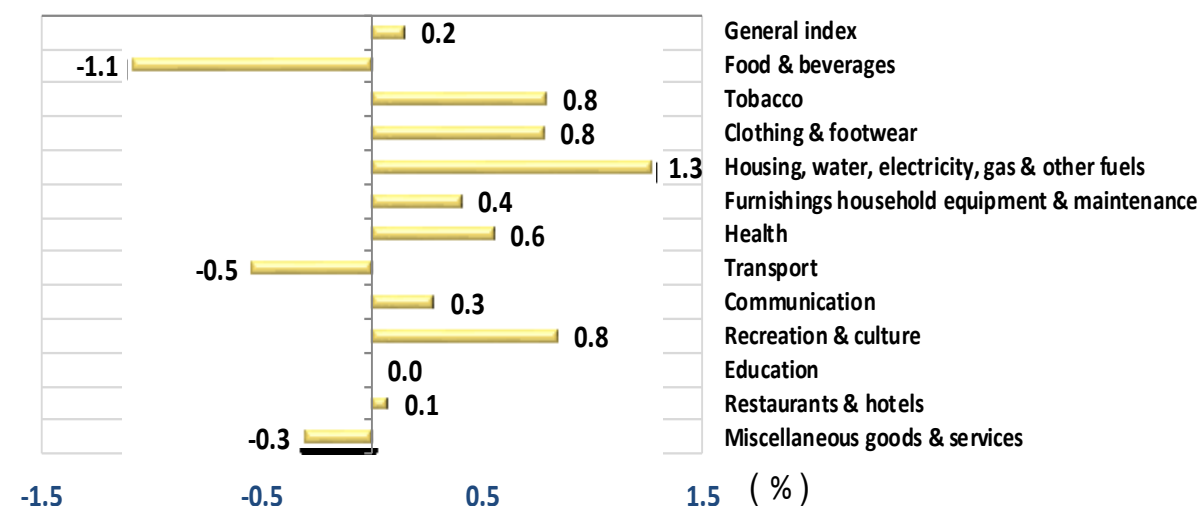
Education group, however, remained unchanged during the first quarter of 2015.

### Major Groups' rates of influence on the General Cost of Living Index

The general cost of living index is affected relatively by the changes taking place

in its various groups. In terms of the influence rates on the cost of living index, the housing, water, electricity, gas and other fuels group ranked first with 34.7% during the first quarter of 2015 compared to 48.8% in the same quarter of the previous year; followed by the food and beverages group with an influence rate of 31.3% compared to 4.4% in the same quarter of the previous year and clothing and footwear group with an influence rate of 8.8% compared to 2.8% in the corresponding

**Chart 2: Inflation Rate of the Cost of Living Index by Main Groups  
(Q1 2015/Q4 2014)\***



\* Latest Available Data

Source: Central Department of Statistics and Information.



quarter of the preceding year. Transportation group came next with an influence rate of 7.5% compared to zero influence in the corresponding quarter of the preceding year.

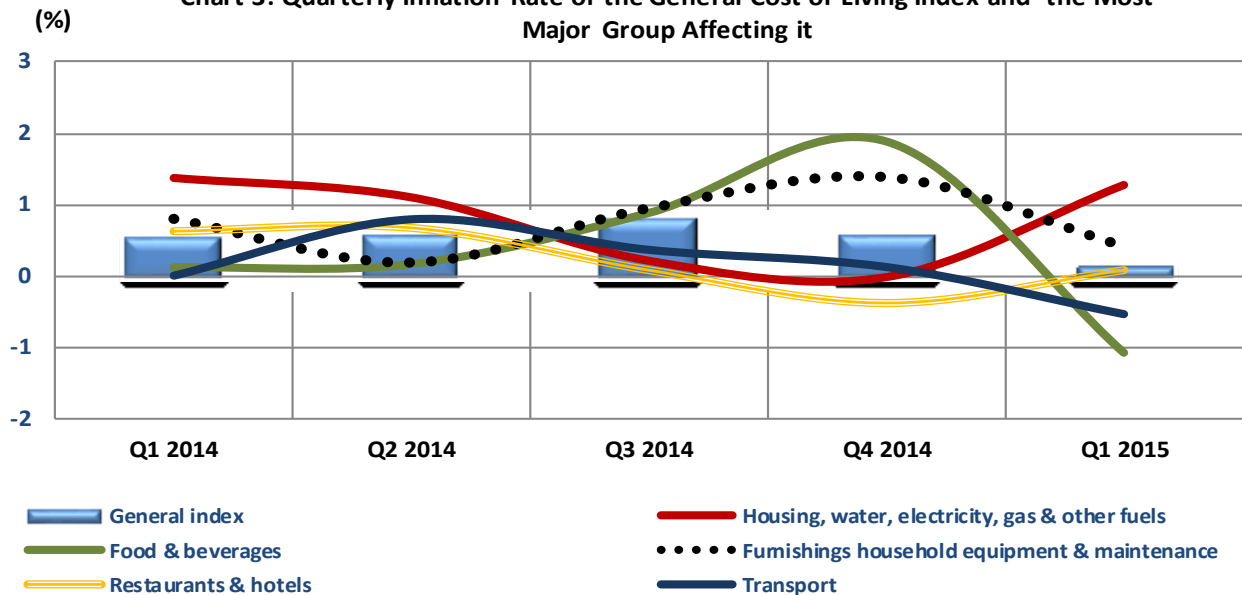
The total rate of influence of the three major groups (housing, water, electricity, gas and other fuels; food and beverages; and

clothing and footwear groups) stood at 74.8% during the first quarter of 2015 against 56.0% in the respective quarter of the previous year (Charts 4 and 5).

### Wholesale Price Indices

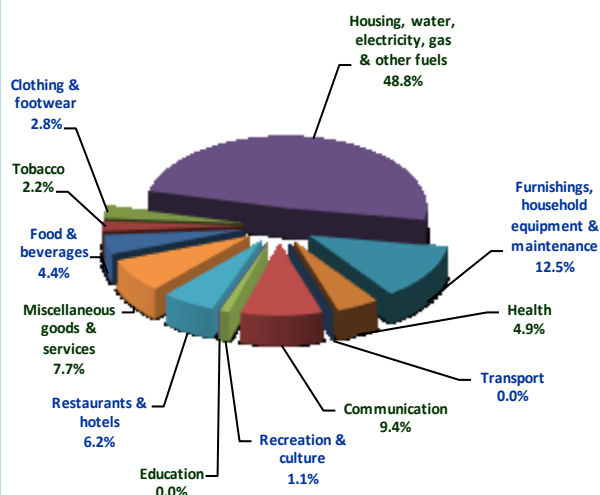
The wholesale price index registered a quarterly deflation of 1.2% and an annual

**Chart 3: Quarterly Inflation Rate of the General Cost of Living Index and the Most Major Group Affecting it**

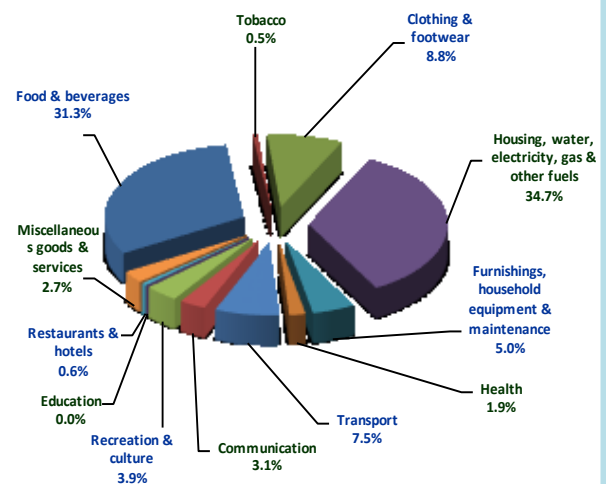


Source: Central Department of Statistics and Information.

**Chart 4: Percentage Impact Of Major Groups On The General Inflation Rate (Q1 2014)**



**Chart 5: Percentage Impact Of Major Groups On The General Inflation Rate (Q1 2015)**



decrease of 0.3% in the first quarter of 2015. It had recorded a quarterly increase of 0.4% during the fourth quarter of 2014 (Chart 6).

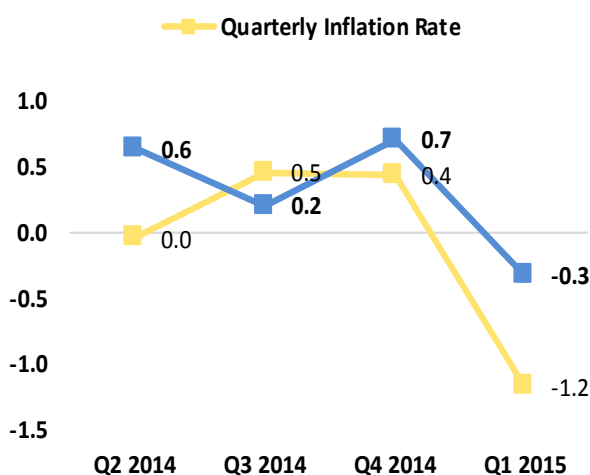
### Wholesale Price Indices by Groups

The group of food and live animals registered the highest annual increase during the

first quarter of 2015 compared to the same quarter of the preceding year. This group denoted an inflation rate of 1.8% due to a rise in the subgroup of fish and crustaceans by 14.0% during the same period. The group of beverages and tobacco recorded the second highest inflation rate of 1.5%. This group was affected by an increase of 3.1% in the subgroup of tobacco. The group of miscellaneous categorized articles came third with an annual inflation rate of 1.0% during the first quarter of 2015 owing to an increase of 1.8% in the subgroup of other manufactured goods (Table 2 and Chart 7).

In contrast, the group of other commodities posted the highest deflation rate during the first quarter of 2015. The inflation rate of this group dropped by 6.4%. The group of chemicals and other related materials ranked second with a deflation rate of 3.2%, followed by the group of machinery and transport with a deflation rate of 2.1% (Table 2 and Chart 7).

**Chart 6: Inflation of the Wholesale Price Index (1988=100)**



Source: Central Department of Statistics and

**TABLE 2: WHOLESALE PRICE INDEX (WPI)**  
(1988=100)

	Weights							(% change	
		Q1 2014	Q2 2014	Q3 2014	Q4 2014	Q1 2015	Q1 2015/ Q4 2014	Q1 2015/ Q1 2014	
General Index	100.0	158.6	158.6	159.3	160.0	158.1	-1.2	-0.3	
Food & Live Animals	31.9	184.3	184.8	187.1	190.7	187.5	-1.6	1.8	
Beverages & Tobacco	1.2	175.9	177.5	178.6	177.0	178.6	0.9	1.5	
Crude Materials	0.3	204.8	204.6	203.2	203.2	204.0	0.4	-0.4	
Minerals & Fuels	10.1	186.3	186.3	186.3	186.3	186.3	0.0	0.0	
Oils & Fats	0.4	149.9	147.8	149.3	148.5	150.2	1.1	0.2	
Chemicals	9.8	213.7	209.3	209.9	214.3	206.9	-3.5	-3.2	
Manufactured Goods	26.2	143.6	143.4	143.9	142.9	141.8	-0.7	-1.2	
Machinery & Transport	13.4	144.1	143.4	143.3	142.8	141.0	-1.2	-2.1	
Misc, Manufactured Articles	6.4	135.1	138.1	138.4	136.4	136.4	0.0	1.0	
Other Commodities	0.3	259.2	260.7	254.6	254.8	242.5	-4.8	-6.4	

Source: Central Department of Statistics and Information.

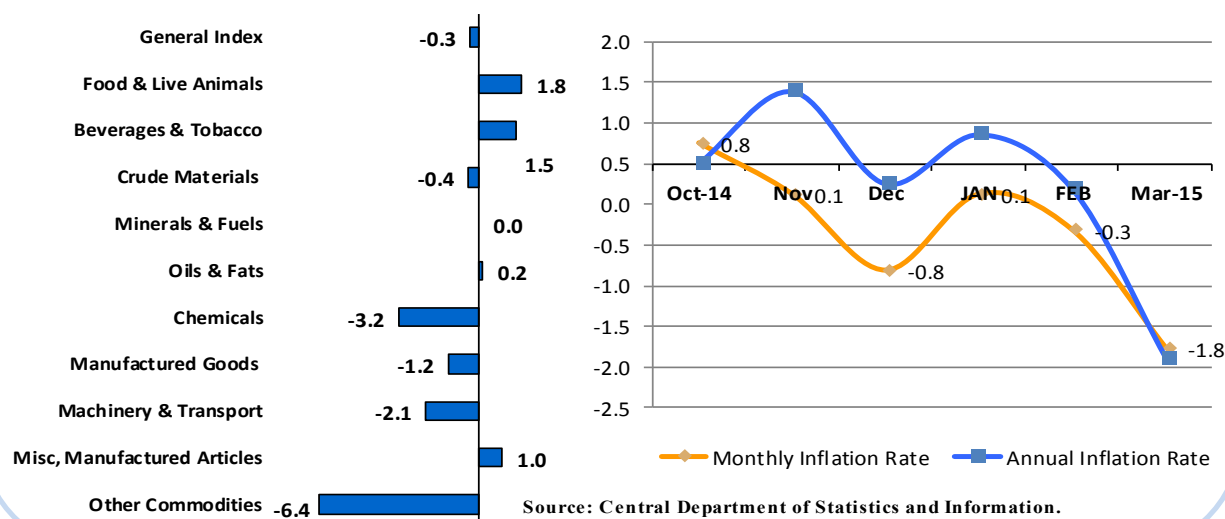




**Chart 7: Inflation of the Wholesale Price Index by Main Groups  
(1988=100)**

**% Change (Q1 2015/ Q1 2014)**

**Annual & Monthly Inflation of the WPI**



### Cost of Living Index by Cities during the First Quarter of 2015

The average of all cities Cost of Living Index recorded a quarterly increase of 0.2% during the first quarter of 2015. Ara'ar city posted the highest rise of 1.9%. Skaka ranked second by 1.1%. Makkah, Buraydah and Ha'il

ranked third by 0.9% each, then Riyadh by 0.7%, followed by Al-Hufuf and Jazan by 0.3% and 0.1% respectively (Table 3).

In contrast, the cost of living index for Abha registered the highest deflation rate of 1.0% during the first quarter of 2015. Jeddah

**Table 3 : AVERAGE COST OF LIVING INDEX BY CITY  
(2007=100)**

General Index	2013	2014	Q3 2014	Q4 2014	Q1 2015	Inflation Rate	
						2014/2013	Q1 2015/ Q4 2014
<b>All Cities Index</b>	126.7	130.1	130.6	131.3	131.5	2.7	0.2
Riyadh	129.9	135.0	135.7	137.7	138.6	3.9	0.7
Makkah	122.6	126.9	127.5	126.9	128.0	3.5	0.9
Jeddah	126.1	129.3	130.4	131.1	130.0	2.6	-0.8
Al-Dammam	135.0	133.7	134.2	135.0	135.0	-0.9	0.0
Al-Madinah	120.6	124.7	125.1	125.4	125.3	3.4	-0.1
Ta'if	123.1	127.2	127.6	127.5	127.5	3.3	0.0
Al-Hufuf	122.6	124.6	125.0	123.6	123.9	1.6	0.3
Abha	120.3	123.2	124.3	124.9	123.6	2.4	-1.0
Buraydah	122.5	123.9	124.4	125.2	126.3	1.1	0.9
Tabuk	119.5	128.9	122.7	121.9	121.2	7.8	-0.6
Ha'il	125.7	127.2	127.5	126.8	128.0	1.1	0.9
Jazan	134.1	142.1	142.9	146.7	146.8	6.0	0.1
Najran	125.1	128.5	129.0	128.5	128.4	2.7	0.0
Al-Bahah	125.1	130.5	130.6	129.3	128.9	4.4	-0.3
Sakaka	124.6	127.5	128.0	128.4	129.9	2.3	1.1
'Ar'ar	114.5	120.1	122.4	122.3	124.6	4.9	1.9

Source: Central Department of Statistics and Information, Ministry of Economy and Planning.



ranked second with 0.8%; followed by Tabouk with 0.6%. Al-Bahah and Al-Madinah came next with 0.3% and 0.1% respectively (Table 3).

### GDP Deflator

According to the latest data issued by the Central Department of Statistics and Information, the non-oil GDP deflator contracted by 9.4% during the fourth quarter

of 2014 as compared to the previous quarter. It posted an increase of 1.8% compared to the same quarter of the preceding year (Table 4 and Chart 8).

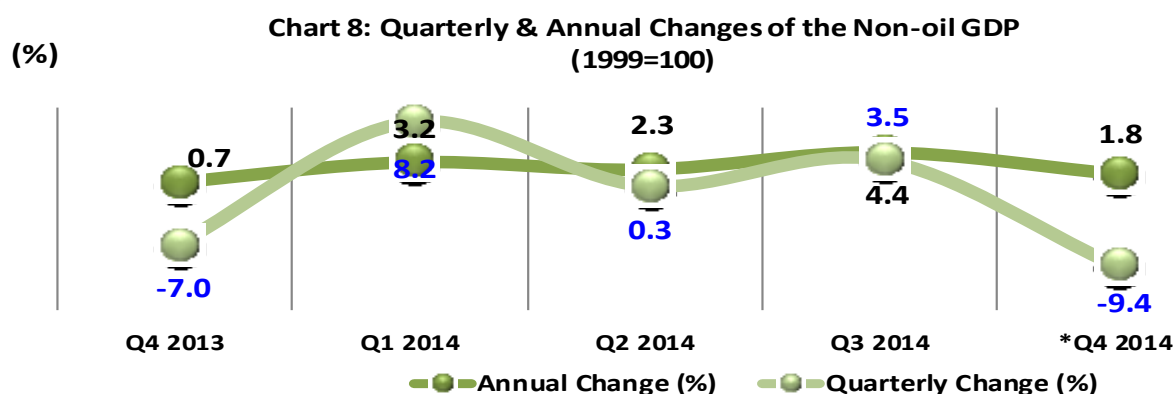
The GDP deflator measures inflation rate at the macroeconomic level, which is different from the cost of living index which only targets final consumption. The GDP

**TABLE 4: GDP Deflator  
(2010=100)**

	Weights	Q4 2013	Q1 2014	Q2 2014	Q3 2014	*Q4 2014
<b>GDP (Million Rls):</b>						
At Current Prices	20.5	702,194	736,484	715,053	712,423	657,762
At Constant Prices	0.0	610,573	612,590	595,484	604,170.5	622,597.7
<b>GDP Deflator</b>	<b>0.0</b>	<b>115.0</b>	<b>120.2</b>	<b>120.1</b>	<b>117.9</b>	<b>105.6</b>
<b>Quarterly Change (%)</b>	<b>0.0</b>	<b>-3.0</b>	<b>4.5</b>	<b>-0.1</b>	<b>-1.8</b>	<b>-10.4</b>
<b>Annual Change (%)</b>	<b>0.0</b>	<b>-2.3</b>	<b>-1.1</b>	<b>-0.1</b>	<b>-0.5</b>	<b>-8.1</b>
<b>Non-oil GDP (Million Rls):</b>						
At Current Prices	0.0	371,404	410,186	390,371	407,968.9	392,245.7
At Constant Prices	0.0	343,382	350,627	332,644	335,781.9	356,164.3
<b>Non-oil GDP Deflator</b>	<b>0.0</b>	<b>108.2</b>	<b>117.0</b>	<b>117.4</b>	<b>121.5</b>	<b>110.1</b>
<b>Quarterly Change (%)</b>	<b>0.0</b>	<b>-7.0</b>	<b>8.2</b>	<b>0.3</b>	<b>3.5</b>	<b>-9.4</b>
<b>Annual Change (%)</b>	<b>0.0</b>	<b>0.7</b>	<b>3.2</b>	<b>2.3</b>	<b>4.4</b>	<b>1.8</b>

\* Latest Available Data

Source: Central Department of Statistics and Information.



\* Latest Available Data

Source: Central Department of Statistics and Information.



deflator, however, targets all consumption, investment and government sectors according to their respective contributions to the GDP. Therefore, the deflator is considered as an indirect measure of the change in the general level of prices. The non-oil GDP deflator is usually used to exclude the impact of change in oil prices on the domestic economy.

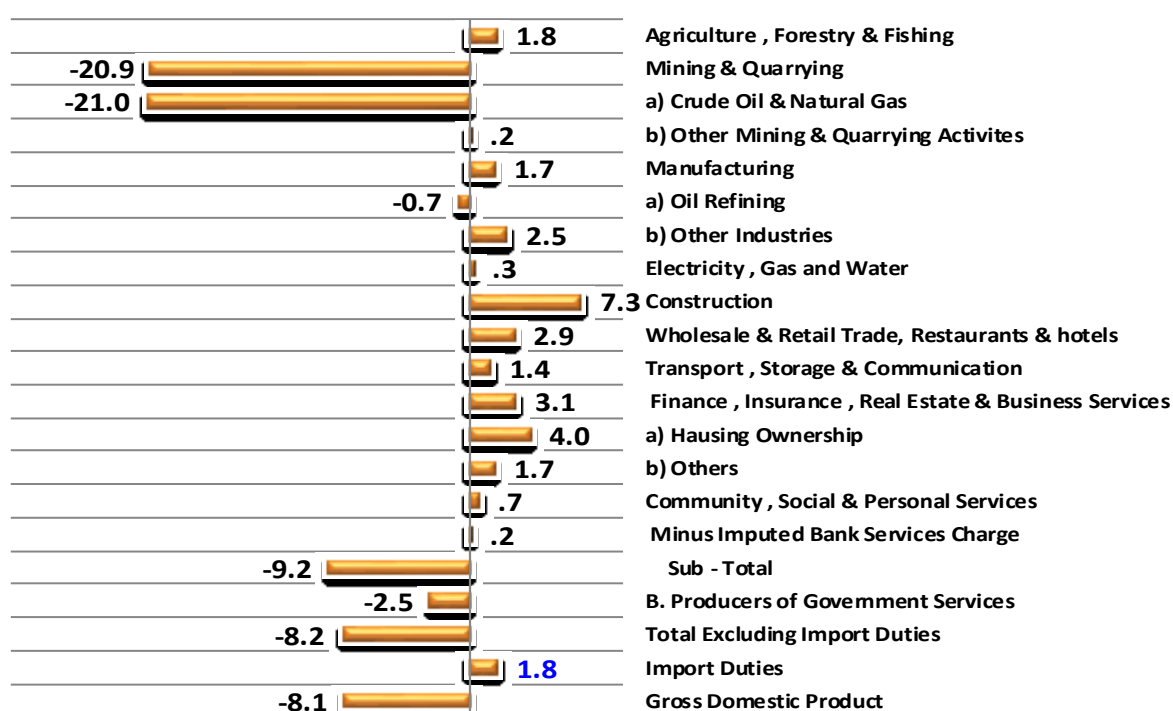
The non-oil GDP deflator posted the highest annual increase during the third quarter of 2014, rising by 4.4%. Then, it went down in the fourth quarter to 1.8% (Table 4 and chart 8).

An analysis of the GDP deflator data (at constant prices for 1999) by economic activity shows that the construction activity recorded the highest rise of 7.3% in the fourth quarter of

2014 as compared to the preceding quarter. The activity of finance, insurance, real estate and business services ranked second with 3.1 increase as a result of a rise in housing ownership by 4.0%. Then, the activity of wholesale and retail trade, restaurants and hotels ranked third, advancing by 2.9%; followed by the agriculture, forestry and fishing activity in the fourth rank with an increase of 1.8% during the fourth quarter of 2014 compared to the corresponding quarter of 2013.

On the other hand, mining and quarrying activity posted the highest deflation of 20.9% in the GDP deflator during the fourth quarter of 2014 as compared to the corresponding quarter in the preceding year (Chart 9).

**Chart 9: GDP Deflator by Type of Economic Activity at 2010 Constant Prices  
Q4 2014 (%) Change**



\*Latest Available Data

Source: Central Department of Statistics and Information.





A comparison of annual inflation measures in the domestic market indicates that the annual inflation rate of the cost of living index registered the highest increase of 2.5% in the fourth quarter of 2014. Non-oil GDP deflator came second with 1.8% during the same period, while the annual change rate of the wholesale price index pushed up by 0.7% during the same period (Chart 10).

### Foreign Trade with Major Trading Partners

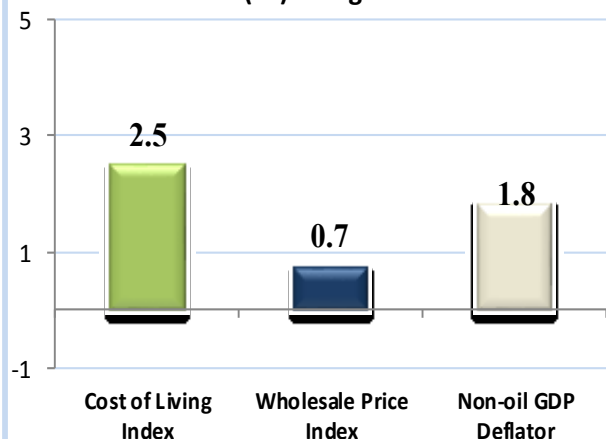
According to the latest available data, total value of the Kingdom's imports stood at SAR 155 billion during the third quarter of 2014, posting a quarterly decrease of 8.5% from the previous quarter. The Kingdom's imports recorded an annual drop of 0.5% compared to the corresponding quarter of the previous year.

China came at the top of the Kingdom's trading partners during the third

quarter of 2014. The Kingdom's imports from China amounted to SAR 24.7 billion or 15.9% of the Kingdom's total value of imports during the third quarter of 2014, recording an annual rise of 19.0%. The United States came second with SAR 21.5 billion or 13.9% of the total value of the Kingdom's imports with an annual increase of 4.4%. Germany came third with SAR 11.3 billion or 7.3% of the Kingdom's total value of imports and with an annual decline of 1.2%. Japan came next with SAR 9.7 billion or 6.3% of the total value of imports and an annual rise of 17.2%. The United Arab Emirates came fifth with SAR 8.3 billion or 5.3% of the Kingdom's total imports, posting an annual rise of 4.6% (Table 5).

According to the latest available data, the total value of the Kingdom's imports in 2014 stood at SAR 639.6 billion. The order of countries from which the Kingdom imported was as follows:

**Chart 10: Inflation Measurements in Q4, 2014**  
(%)Change



Source: Central Department of Statistics and Information.

**TABLE 5: Top Five Trading Partners by value of Imports (SAR Million)**

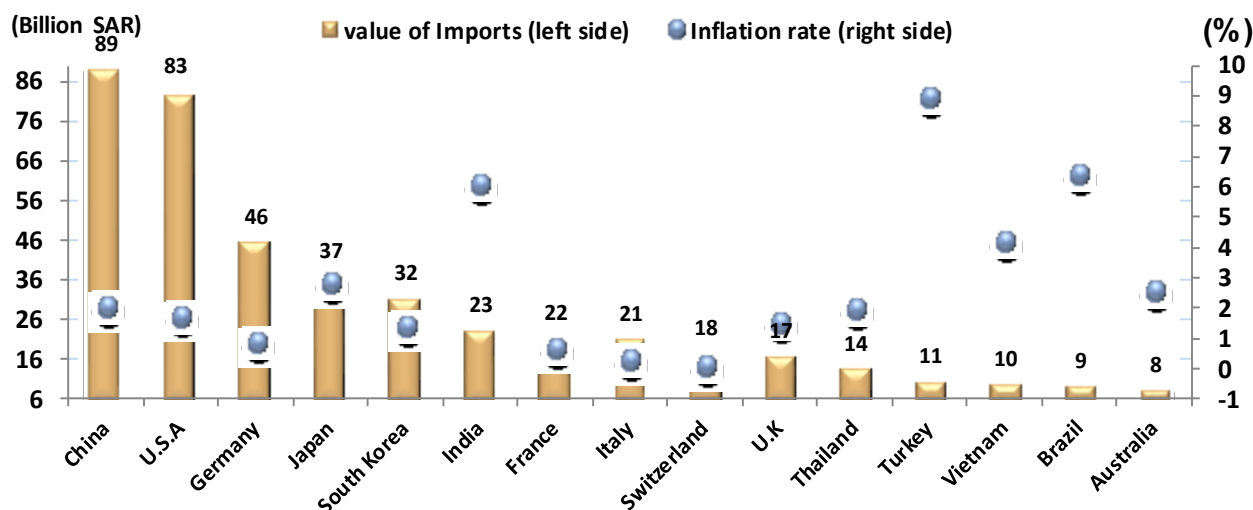
Countries	Q3 2013	Q3 2014	Change (%)
China	20760	24703	19.0
U.S.A	20624	21533	4.4
Germany	11462	11330	-1.2
Japan	8281	9707	17.2
South Korea	7896	8259	4.6
Total	69023	75532	9.4
Ratio to Total	44.3	44.7	0.9

\*Latest Available Data .  
and Information.

Source: Central Department of Statistics and Information.

1. China with a value of SAR 88.9 billion or 13.9% of the Kingdom's total value of imports. The annual inflation rate in China was 1.9% in 2014.
2. The United States with a value of SAR 82.7 billion or 12.9% of the Kingdom's total value of imports. The annual inflation rate in the U.S. was 1.6% in 2014.
3. Germany with a value of SAR 45.5 billion or 7.1% of the Kingdom's total value of imports. The annual inflation rate in Germany was 0.8 in 2014.
4. Japan with a value of SAR 37 billion or 5.8% of the Kingdom's total value of imports. The annual inflation rate in Japan was 2.7 in 2014.
5. South Korea with a value of SAR 31.6 billion or 4.9% of the Kingdom's total value of imports. The annual inflation rate in South Korea was 1.3% in 2014.
6. India with a value of SAR 23.4 billion or 3.7% of the Kingdom's total value of imports. The annual inflation rate in India was 6.0% in 2014.
7. France with a value of SAR 21.6 billion or 3.4% of the Kingdom's total value of imports. The annual inflation rate in France was 0.6% in 2014.
8. Italy with a value of SAR 21.3 billion or 3.3% of the Kingdom's total value of imports. The annual inflation rate in Italy was 0.2% in 2014.
9. Switzerland with a value of SAR 17.6 billion or 3.1% of the Kingdom's total value of imports. The annual inflation rate in Switzerland was -0.01% in 2014.
10. The United Kingdom with a value of SAR 16.8 billion or 3.1% of the Kingdom's total value of imports. The annual inflation rate in the UK was 1.5% in 2014.
11. Thailand with a value of SAR 13.8 billion or 2.2% of the Kingdom's total value of imports. The annual inflation rate in Thailand was 1.9% in 2014.
12. Turkey with a value of SAR 10.7 billion or 1.7% of the Kingdom's total value of imports. The annual inflation rate in Turkey was 8.8% in 2014.
13. Vietnam with a value of SAR 10.0 billion or 1.7% of the Kingdom's total value of imports. The annual inflation rate in Vietnam was 8.8% in 2014.

Chart 11: Top Trading Partners by Value of Imports 2014



Source: Central Department of Statistics and Information.



**TABLE 6: Top Fifteen Trading Partners by value of Imports 2014\***

<b>Countries</b>	<b>Value (Million SR)</b>	<b>Ratio To Total (%)</b>	<b>Accum. Ratio (%)</b>	<b>Inflation Rate (%)</b>
<b>China</b>	88864	13.89	13.9	2.0
<b>U.S.A</b>	82721	12.93	26.8	1.6
<b>Germany</b>	45526	7.12	33.9	0.8
<b>Japan</b>	36958	5.78	39.7	2.7
<b>South Korea</b>	31581	4.94	44.7	1.3
<b>India</b>	23390	3.66	48.3	6.0
<b>France</b>	21550	3.37	51.7	0.6
<b>Italy</b>	21288	3.33	55.0	0.2
<b>Switzerland</b>	17648	3.13	58.1	0.0
<b>U.K</b>	16804	3.12	61.3	1.5
<b>Thailand</b>	13786	2.16	63.4	1.9
<b>Turkey</b>	10694	1.67	65.1	8.9
<b>Vietnam</b>	9931	1.55	66.6	4.1
<b>Brazil</b>	9470	1.48	68.1	6.3
<b>Australia</b>	8373	1.31	69.4	2.5

\* Provisional.  
Information, and IMF.

Source: Central Department of Statistics and

billion or 1.6% of the Kingdom's total value of imports. The annual inflation rate in Vietnam was 4.1% in 2014.

14. Brazil with a value of SAR 9.5 billion or 1.5% of the Kingdom's total value of imports. The annual inflation rate in Brazil was 6.3% in 2014.
15. Australia with a value of SAR 8.3 billion or 1.3% of the Kingdom's total value of imports. The annual inflation rate in Australia was 2.4% in 2014.

#### **Inflation Projections for the Second Quarter of 2015**

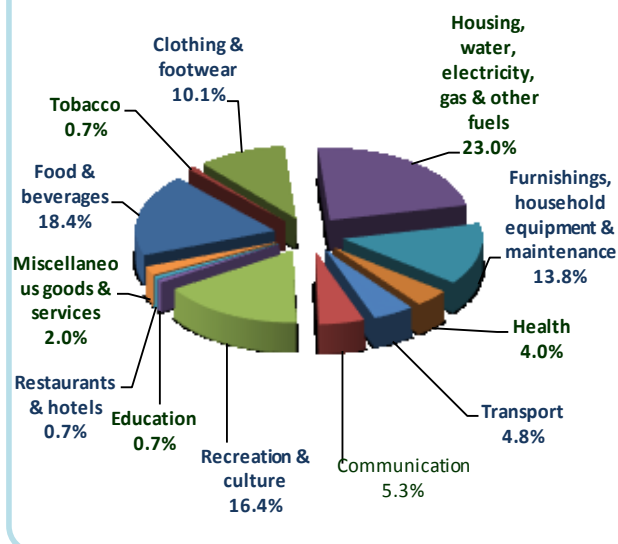
Inflation rates in the first quarter of 2015 were affected by the increase of 74.8%

recorded in the group of housing, water, electricity, gas and other fuels; the group of food and beverages; and the group of clothing and footwear (Chart 5). The group of housing, water, electricity, gas and other fuels posted the highest influence rate of 23.0% on the general inflation rate in March 2015 (Chart 12).

Some commodity prices may witness inflationary pressures owing to an expected rise in the consumption demand accompanying the preparation for the month of Ramadan and Eid. Nevertheless, the projections still show a stable domestic inflation rate as a result of the global fall in commodity prices, which may have a positive



**Chart 12: Percentage Impact Of Major Groups On The General Inflation Rate (MAR 2015)**



impact on the value of Saudi imports. Such impact is supported by the rise in the purchasing power of the U.S. dollar, to which the Saudi riyal is pegged. Consequently, the general level of prices is expected to be relatively stable during the second quarter of 2015. As for the

group of housing at the domestic level, projections indicate a contraction in the inflationary pressures due to the efforts to promote supply of houses to all classes of the society. Thus, the general level of prices in the Kingdom is expected to be relatively stable during the second quarter of 2015.

The IMF projections for commodity prices indicate a contraction in the inflationary pressures on the main groups for 2015. The IMF's projections for 2015 show a deflation in energy prices by 36.0%, metal prices by 16.6%, food and beverages prices by 15.8% and 9.7% respectively, followed by raw agricultural materials prices with the least expected deflation rate of 6.8% in 2015. (Table 7).

### Conclusion

The most significant results of the analysis of the inflation rates during the first quarter of 2015 in the Kingdom can be

**TABLE 7: IMF Commodity Price Index  
(2005=100)  
(Percentage changes)**

	Weights	Actual			Projections			
		2012	2013	2014	2015	2016	2017	2018
<b>All Primary Commodities</b>	100.0	-3.3	-1.5	-6.2	-28.4	5.8	3.0	1.3
<b>Food</b>	16.7	-2.4	1.1	-4.2	-15.8	-2.6	0.2	-0.4
<b>Beverages</b>	1.8	-18.6	-11.9	20.7	-9.7	-0.5	-3.9	-1.5
<b>Agricultural Raw Materials</b>	7.7	-12.7	1.6	1.9	-6.8	1.7	-2.4	-2.5
<b>Metals</b>	10.7	-16.8	-4.3	-10.3	-16.6	-0.4	0.7	0.6
<b>Energy</b>	63.1	0.7	-1.7	-7.4	-36.0	10.6	5.2	2.5

Source: IMF



concluded as follows:

1. The annual cost of living index registered an annual rise of 2.0% in March 2015 against a monthly advance of 0.1%. It posted an annual increase of 2.1% during the first quarter of 2015 against a quarterly rise of 0.2%.
2. The group of housing, water, electricity, gas and other fuels registered the highest quarterly inflation rates during the first quarter of 2015 as compared to the previous quarter, going up by 1.3%. In contrast, food and beverages group recorded the highest quarterly deflation rate of 1.1%.
3. The wholesale price index registered a quarterly drop of 1.2% during the first quarter of 2015 and an annual decrease of 0.3% for the same quarter.
4. The group of food and live animals recorded the highest annual increase rate of 1.8% in the wholesale price index . In contrast, other commodities group posted the highest annual deflation rate of 6.4%.
5. According to the latest available data, the non-oil GDP deflator registered a deflation of 9.4% during the fourth quarter of 2014 compared to the preceding quarter. The GDP deflator went up by 1.8% in the fourth quarter of 2014 compared to the same quarter of the preceding year.
6. According to the latest available data, total value of the Kingdom's imports stood at SAR 155 billion during the fourth quarter of 2014, registering a quarterly fall of 8.5% from the previous quarter. The Kingdom's imports recorded an annual decline of 0.5% compared to the corresponding quarter of the previous year.
7. Some commodity prices may witness inflationary pressures as a result of an expected increase in consumption demand due to the preparation for the season of Ramadan and Eid during the second quarter of 2015. However, the projections still show a stable domestic inflation rate as a result of the global drop in commodity prices.